

thinking global



acting local

2008 annual report





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Rochester Public Utilities

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



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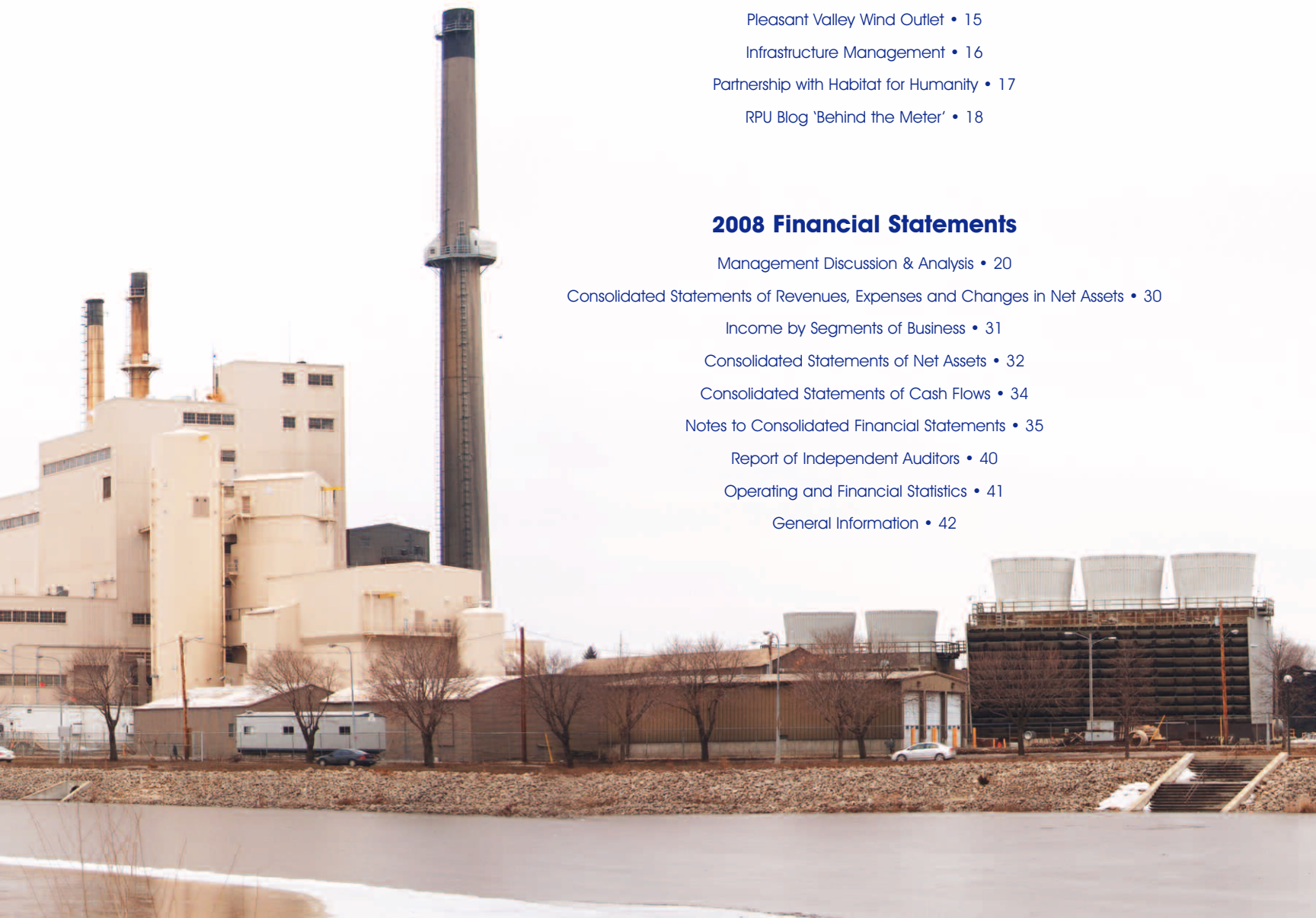
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Letter from Management

In last year's report, we could show you only girders and bare metal buildings at a construction site on the north side of Silver Lake Plant (SLP).

Today, it's a very different photo. We stand proudly in front of the biggest environmental project undertaken by Rochester Public Utilities.



Construction of the \$38 million Emission Reduction Project (ERP) was completed just before the end of 2008, after 15 months of on-site work and years of planning. Its advanced systems will clean between 60 and 85 percent of the most troublesome air pollutants from the main boiler at SLP.

It's one way that we were "thinking global, acting local" last year.

The ERP was a clear highlight of our work in 2008. But it's not the only one.

We came to an agreement with our neighbor utility, People's Cooperative Services, about how to transfer electricity service in areas annexed to the City of Rochester. The pact created a fair system for making the transfers and settled long-standing differences over service rights.

Our engineers also succeeded in providing excess steam from SLP to the Mayo Clinic for heating buildings in the world-famous medical institution. The half-mile steam pipe makes good use of excess steam and, also saves Mayo millions of dollars a year in utility expenses. We view this link between RPU and Mayo Clinic as one significant way we can help hold down medical costs in Rochester.

Of course, our main focus is our customers – ensuring reliable electricity for our 47,406 electric customers and water flowing to 36,413 consumers. The summer of 2008 was cooler than normal, slowing sales in both utilities moderately. Our systems were able to handle demand from customers without straining.



We bolstered the reliability of our water distribution network by adding 1 million gallons – or about 8 percent – to its storage capacity. The reservoirs in the system now can hold more than 13.2 million gallons of water. The peak flow for a single day was just less than 28 million gallons, down 7 percent from 2007.

Water deliveries for the entire year also declined about 7 percent. Nonetheless, we pumped close to 4.8 billion gallons to our customers for their homes, businesses, and factories.

Meanwhile, our electric network reliability was at an eight year high in 2008 with an availability index of 99.99 percent. The daily peak usage for 2008 was set on July 29 at 270.4 megawatts, well below the all-time peak set back in 2006 at 288.4 megawatts. This is in part due to the weather, as well as the downturn of the local economy.

Although perhaps not as hard-hit as other areas, Rochester still felt the effects of the national downturn in the economy last year. New home starts, which are important to both our electric and water businesses, fell 28 percent from 2007; they were down 69 percent from 2004, the high year in this decade according to the Rochester Area Economic Development Inc. (RAEDI). Additionally, RAEDI noted that there was a 31 percent decrease in total building activity since 2006, along with a drop of 15 percent from 2007.

Every effort was made to reduce costs throughout 2008 by closely watching spending and reducing projects to only those of immediate importance. Despite our efforts, there were still costs that greatly affected our budget in 2008. Our

purchased power costs from SMMPA climbed to almost \$80 million. Just as our customers experienced energy increases at the gas pumps, we experienced the volatility of the fossil fuel markets increase our fuel costs to record levels this year. We also had to accommodate for the transportation cost to transport our fuel which is mainly coal.

Total operating revenue for both utilities was \$155.6 million in 2008 down nearly \$10 million from 2007. Operating revenue for the electric utility decreased by \$9.3 million (5.9%). Electric wholesale revenue was down from 2007 by \$10.8 million (36.1%). Water revenue was only slightly down by approximately \$100,000 (1.2%). No rate increase was implemented by the water utility.

Despite a drop in operating revenue, both utilities still transferred more than \$9 million to the City's general fund in the form of in-lieu-of tax payments.

Our electric system drew recognition as one of the most reliable publicly owned networks in the country. For the second straight time, the American Public Power Association ranked RPU at the top in its RP3 (Reliable Public Power Provider) program. We were among three utilities nationally to reach the Diamond rating, and among 84 to be honored overall. Conducted every two years, the RP3 program recognizes excellence in safety, reliability, training, and system improvement. In short, it says we're doing things right day-to-day for our customers. In addition, the American Customer Satisfaction Index (ACSI) ranked us among the top three of 29 national utilities surveyed in five key areas. Those areas include: customer loyalty, customer complaints, perceived



RESOLUTION

WHEREAS, *Mr. Landwehr has diligently served on the Utility Board since 2000 specializing in strategic planning and communications, and*

WHEREAS, *Mr. Landwehr has been a valuable asset and has contributed substantially to the well-being of Rochester Public Utilities and the local citizens by his leadership and efforts in such areas as energy efficiency, customer service, environmental protection, economic development, service territory disputes, and internal transitions within the Utility, and*

WHEREAS, *Rochester has benefited from the steady leadership of people like Mr. Landwehr who believe in municipal ownership, and*

NOW, THEREFORE BE IT RESOLVED, *that the Rochester Public Utility Board wishes to recognize and thank Mr. Landwehr for his leadership, many talents, commitment to excellence and service to the Board and community.*

**PASSED BY THE PUBLIC UTILITY BOARD
OF THE CITY OF ROCHESTER, MINNESOTA,
THIS 25TH DAY OF MARCH, 2008**

value, perceived quality, and customer expectations. The ACSI independently surveys residential customer satisfaction levels of the largest U.S energy utilities each quarter and compiles the results at the end of the year.

Overseeing those operations and accomplishments is the RPU Utility Board. Richard L. Landwehr, board president for 6 of his 8 years as a member, left office last spring after his final term expired. His tenure was marked by major initiatives. He was president from concept to near completion of the Emission Reduction Project. He contributed significantly to our progress in energy efficiency, customer service, expansions of service territory, economic development and environmental protection, among others.

Dick's departure triggered two changes on our board. Veteran member Jack Jibben was elected to succeed him as president and Jerry Williams, retired superintendent of Rochester Public Schools, was appointed to fill the vacant seat. Jerry brings experience with multi-million-dollar budgets, as well as deep knowledge of the community, to the board team.

In August, we also recognized Walt Lorber, Director of Core Services, for his 28 years of dedication and contributions to RPU. Among his accomplishments, Walt served as acting general manager for a number of months in 1996 during an internal reorganization. He also had been the prime RPU executive negotiating with People's Cooperative Services on territory issues, which were settled only a few days before he retired.



We continue to extend service as the City of Rochester grows. Among other improvements, in 2008 we moved to stay ahead of the expanding borders with planning and design work for a new Westside substation at 60th Avenue at 19th Street Northwest.

We take pride in our vital role in bringing electricity and water to city neighborhoods and the business community.

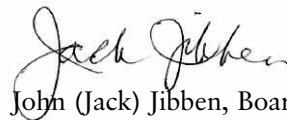
But we're also intent on conserving energy and water resources where we can. This past year, we worked with customers through our Conserve & Save programs to reduce electric consumption by almost 13.7 million kilowatt-hours. We continued to offer rebates on ENERGY STAR® appliances, lighting, and other qualifying energy efficient equipment.

Our wholesale provider, Southern Minnesota Municipal Power Agency (SMMPA), soon plans to start drawing power from a large wind farm located in Mower County. SMMPA expects the renewable energy drawn from that farm along with its six other wind turbines and smaller projects to provide 10 percent of its electrical flow in 2009.

Like other Minnesota utilities, SMMPA is required by state law to obtain 25 percent of their energy from renewable sources by the year 2025, and fractions of before then. Because we have a contracted rate of delivery with the power agency, we're only responsible for installing renewable energy generation above our contracted level with SMMPA.

In order to meet our renewable generation obligation we will rely on our hydroelectric plant at Lake Zumbro and our agreement with the Olmsted County's Waste-to-Energy plant. Late in 2008, our directors assigned RPU experts to seek out windpower, either by buying capacity from a wind farm or by building turbines ourselves.

We move into 2009 with solid electricity and water supply networks in place to serve expected growth. We're continuing our work with other area utilities on CapX2020, which is a transmission project designed to strengthen southeastern Minnesota's power grid and to increase capacity for power from future renewable energy projects such as wind farms. We're protecting the environment by scrubbing pollutants out of air emissions from the Silver Lake Plant. And we're continuing to provide our customers with ideas on how to use water and electricity more efficiently. Finally, we will continue our financial awareness while providing safe and reliable service.



John (Jack) Jibben, Board President



Larry Koshire, General Manager



Emission Reduction Project

In 2008, the largest single environmental project in our history was completed at Silver Lake Plant (SLP).

As the year ended, our plant operators were beginning tests on its \$38 million Emission Reduction Project (ERP).

Construction of the ERP was finished by mid-December. By the time the emission reduction system reaches full commercial operation late in March 2009, it is expected to filter out most of three types of pollutants emitted from the plant's main boiler, called Unit 4. The pollutants are released into the air when coal is burned to make steam for generating electricity.

The project will reduce:

- Sulfur dioxide gas, a main contributor to acid rain, by over 80 percent.
- Nitrogen oxide gases, a key cause of smog, by 60 percent.
- Particulate matter, by over 70 percent.

Finally, the system is also expected to capture 80 to 90 percent of the toxic element mercury as a side benefit. It is present in small quantities.

The ERP uses both chemical systems and a fabric filter to clean the air emitted from Unit 4. That boiler alone accounts for 86 percent of the electricity produced at SLP.

This project will satisfy an agreement we made with the Minnesota Center for Environmental Advocacy and with the Minnesota Pollution Control Agency to drastically reduce levels of emissions from SLP.



Mayo Steam Line

Last year we also were able to complete another long-lasting project starting at SLP – an underground line to supply steam to Mayo Clinic.

Although the line had been built earlier, it did not run to our satisfaction because of leaks at key joints along the pipeline. After our engineers discovered the source of the leaks, we installed more rugged joints at 10 junctions along the pipeline. At year-end, the steam line was running at full volume as designed.

Mayo primarily uses the high-pressure steam to heat buildings on its downtown campus, saving it millions of dollars a year in utility expenses.

We anticipate close to an additional \$7 million in revenue from steam sales in 2009.

Olmsted County Waste-to-Energy Facility

The start of construction for a third burner at the Olmsted County Waste-to-Energy Facility (OWEF) promises to supply more long-term, renewable energy for RPU. RPU and Southern Minnesota Municipal Power Agency (SMMPA) have an agreement with Olmsted County to buy electricity generated from steam made at the two existing waste incinerators. The agreement also covers the expansion for a third furnace, which was begun in 2008. It is scheduled to go into service in late 2009.



Because SMMPA supplies most of our power, we do not expect to purchase large amounts directly from Olmsted County in the near term. However, as electric use increases in Rochester, we anticipate purchasing more renewable electricity from the garbage-burning plant to augment other sources.



Olmsted County Solar Initiative

All it will take is sunshine to generate some of the electricity used at Mayo High School from now on. The student-led Olmsted County Solar Initiative – now called the Minnesota Student Energy Project (MSEP) – installed its first solar panels on the roof at Mayo High School late in December.



We were able to contribute \$75,000 to the initiative through a grant obtained from the American Public Power Association.

Three Mayo High students Tom Currier, Patrick Allen and Ian Cameron, now a Mayo graduate, founded the group. It has expanded into a coalition of students from several schools and now is raising money to place solar panels atop other high schools in the area. Two leaders connected to our utility also have been named to the MSEP board. Jerry Williams, who currently holds a seat on the Utility Board, and Dick Landwehr, who left the board this year, both are directors of the new organization.

Environmental Achievement Awards

Each year, RPU and Olmsted County single out some of the best friends of the environment for special recognition. The 2008 awards honor a range of earth-conscious folks ranging from subdivision developers to nature center volunteers.

2008 recipients are:

- Autumn Ridge Church – for a unique landscape design that integrates ponds, wetlands and prairie to provide habitat for an array of wildlife.
- Hadley Valley Partners – for restoring natural features and conservation measures on the site of its new Hadley Creek Development, including a section of Hadley Creek.



- Global Action – for its “People Can Do It” poster campaign publicizing simple environmental choices and picturing locally familiar people.
- Earth Community Coalition – for its work in presenting the 2008 Think Green Fair, which focused on sustainability.
- The Nelson Companies/Stonybrook Builders – for the Cascades Subdivision and Community Center, the county’s first development relying entirely on geothermal systems for building heat, water heating and air conditioning.
- Olmsted County Solar Initiative – for its initiative to raise \$1 million to install photovoltaic solar systems at community high schools.
- Greg Thompson – for volunteer work including helping with a prairie savanna restoration and a biotic inventory at Quarry Hill Park, as well as county studies of land use impacts on aquatic insects and ecological impacts of beaver in local streams.
- Joel Dunnette – for longtime volunteer in preserving and restoring native prairies, as well as training others in conservation and environmental sciences through the state’s Master Naturalist Program. He worked with Olmsted County Parks, Quarry Hill Nature Center and the local chapter of the Audubon Society.



CONSERVE & \$SAVE

In 2008, we worked with our residential and commercial customers to save close to 13.7 million kilowatt-hours (kWh) of electricity by installing energy efficient equipment. Those customers were able to save money on their purchases immediately through our Conserve & Save conservation programs and then enjoy lower energy costs over the lifetime of their equipment. We think the two-pronged approach dollar savings now and energy reductions in the future will continue to encourage our customers to make energy efficient decisions for their homes and businesses.

In fact, we have seen many business customers take on more than one energy-saving project during the past year. We attribute those multiple projects to the heightened awareness of energy conservation and the sound financial sense that it makes.

This year we've also expanded our list of Energy Solutions Partners (ESP), which is a network of qualified contractors and businesses with expertise, to help RPU customers with their energy efficient projects. By the end of 2008 we had increased our ESP list by more than 40 percent from 2007.

Rochester Area Family Y

To enjoy a mild workout, swimmers can walk upstream against the water flowing in the Current Channel at the Rochester Area Family Y's new water park. When they're ready to relax, they simply turn around and float along in the lazy little river at one end of the large pool.

Churning up that gentle current behind the scenes is a 10-horsepower energy-efficient pump. The Family Y's leaders built the \$4 million water park addition, which opened in 2007, with energy efficiency in mind.

Like many of our customers, the Family Y was able to tap Conserve & Save for rebates on energy-efficient equipment. In 2008, the Y received more than \$9,600 in rebates for machinery and lighting, mostly at the aquatic complex.

For example, the pumps that circulate water are controlled by variable speed drives, which gradually increase power to the pumps instead of suddenly starting them up at full throttle. The drives save wear on the pumps and reduce electrical costs.

An energy efficient chiller and air conditioning system also keeps swimmers comfortable on their visits to the water park. High efficiency light bulbs and fixtures – along with sensors that switch off lights when no one is in a room – light up both the water park and other areas of the Y's building.

Although energy-efficient equipment was more expensive to buy than standard equipment, the Family Y expects a substantial payoff in future costs for electricity, says Aaron



Benike, Y board member and vice president of general contractor Alvin E. Benike Inc. In fact, that has already begun. Last year alone, the Y complex saved almost 99,000 kilowatt-hours of electricity operating its energy-efficient equipment compared to standard machinery and lighting. That's equal to the average annual energy usage of 12 homes! When it conserves electricity, the Y also conserves money that can pay for its many core programs, Benike says.

The organization also has continued to invest in other types of conservation as well. In the past year, its new water park was equipped with a high-tech sanitizing system that reduces complete water changes from four times to once a year. That improvement alone saves about 159,000 gallons of water a year, plus related costs for water and sewer fees.

The Y last year also moved to trim its natural gas use by replacing its main bank of water boilers. The \$135,000 improvement grouped three boilers for building heat into a separate system so that they can be switched off during the summer months.

The Family Y and RPU continue to cooperate on energy savings. We're currently working together on other indoor lighting projects designed to conserve power.

The Family Y was among more than 100 businesses taking advantage of our conservation programs under the Conserve & Save banner last year. Their energy-efficient equipment saved them – and RPU -- more than 13 million kilowatt-hours of electricity.



CapX2020

CapX2020 (short for “Capacity Expansion 2020”), is a joint initiative of utilities in Minnesota and the surrounding region to expand the electric transmission grid to ensure continued

reliable and affordable service. Planning studies show that customer demand for electricity will increase 4,000 to 6,000 megawatts (MW) by 2020.

This past year, CapX2020 filed for a certificate of need for four major transmission lines to be constructed in Minnesota and surrounding areas. One of the four transmission lines is planned for development in southeastern Minnesota. RPU, along with four of the other 11 CapX2020 utilities, are working to layout a route to build the 345 kilovolt (kV) line in southeast Minnesota. The southeast Minnesota line is scheduled to go into service between 2013 and 2015.

The 150-mile power line would run from a new substation near Hampton, just south of the Twin Cities, to the area north of Rochester and then on to La Crosse, Wisconsin. Before it can be built, the Minnesota Public Utilities Commission must agree on the need for the lines. Our group of utility companies has asked for approval, but the PUC has not yet made a decision. We expect a ruling on the certificate of need in early 2009.

Once a certificate of need is in place and a routing permit has been issued, we can then start work to secure the routing for the proposed line.

The RPU 161 kV transmission system will likely be connected to this major power link at a substation near Pine Island. The high-voltage tie will provide more protection in case of outages and more electricity for growth in future decades.



Courtesy of CapX2020



Pleasant Valley Wind Outlet

Meanwhile, the arrival of wind farms in nearby rural areas may bring high-voltage lines into both the south and west sides of Rochester. Xcel Energy is proposing additional steps in the transmission need process to construct three 161-kilovolt lines that would carry electricity from wind turbines being built near Dexter, Minn.

One transmission line would run 25 miles into the far south side of Rochester from a substation in Mower County where Xcel has interests in wind developments. The transmission line would connect into Rochester's system at St. Bridget's Substation, which is yet to be built. The proposed site for St. Bridget's is along the east side of St. Bridget's Road and south of 48th Street Southeast.

Another line would stretch north to Byron from the Mower County substation and a third line would carry power from Byron on existing poles to connect at our Westside substation, now in planning stages. SMMPA is proposing to fund the construction of the third circuit line.

The Xcel transmission lines are planned to go into service between 2010 and 2012.

The additional lines will help to ensure RPU's reliability up to 2015, when we expect to be connected into the large CapX2020 project coming from the north. RPU may be able

to save a significant amount of money, by partnering with Xcel now, rather than addressing certain transmission issues at a later date.



Photo by Christopher Peterson



Infrastructure Management

We completed the third year of a four year water system study to determine future infrastructure needs to support future growth. We also started design work on a new water storage facility for northwest Rochester, which will include 3.8 miles of new water main as well.



Requests for new electric service declined in 2008. Nonetheless, we kept our eye on growth by planning for expansions, particularly on the city's west side.

Our engineers started designing the Westside substation, which will be located at the southeast corner of 60th Avenue and 19th Street Northwest. The facility will become a major electrical junction for that developing area.

Among other improvements, we:

- Added over eight miles of electric distribution line to the system for service and reliability.
- We have completed 90% of a project to convert electric and water meters over to automatic meter reading. The new meters allow for remote reading from the street.
- Increased the rebuilding of aging overhead and underground distribution lines, some of which have been in service more than 40 years
- Rebuilt more than 4,000 linear feet of high-voltage transmission lines along 25th Street Southwest.
- Rebuilt the substation serving the IBM Rochester plant

We also improved the safety for our workers by completing the first phase of a system-wide analysis to better determine hazards associated with potential arc flashes. We made changes to our distribution system protection and raised the protective level of fire retardant clothing worn by employees as a result of the analysis.



Partnership with Habitat for Humanity

Community involvement is at the heart of what it means to be a public power provider. By working hand-in-hand with organizations such as the Rochester Area Habitat for Humanity, we are able to give back to the community and to help provide affordable housing for local families.

This year, a number of RPU employees and board members volunteered to help Habitat for Humanity for a day during the American Public Power Association's Public Power Week. Some of the work completed included house siding, leveling an outside patio for a homeowner, and lot grading.

In addition to that construction help, we made a significant contribution to the Rochester Area Habitat for Humanity by donating energy-efficient compact fluorescent light bulbs for all of the homes being built throughout the year. We also conducted an energy workshop for new and future Habitat for Humanity homeowners. Our experts showed them how to save money and energy in their new homes.

We are looking forward to expand our partnership with the Rochester Area Habitat for Humanity into an annual event during Public Power Week.



RPU Blog 'Behind the Meter'

As energy and water conservation rises to the top part of customer's lists of local and global concerns, we want to stay connected. A growing interest in social networking has transformed the Internet from an informational dumping ground into a resource for two-way communication and connection with our customers. One such way is a blog. A blog offers customers and readers the opportunity to view articles, pictures, and videos, and then to post comments based on the information. Through that feedback, we will learn how to better serve our customers and be ready to meet their needs in the future.

The current RPU blog, called 'Behind the Meter,' was launched in September, but our blog first appeared online in a more simple form in 2004. According to a national utility information and business firm, RPU created the nation's first utility blog.



ROCHESTER PUBLIC UTILITIES | BLOG

RPU's Arbor Day Celebration coming on April 24! Mark your calendars now!



Mark your calendars to come out and celebrate Arbor Day with RPU on Friday, April 24 at Central Park! There will be live music, free food, tree education, and free tree seedlings given away.

[View all of the day's events](#)

Posted: Apr 02, 2009 by Tony B | Comments (0)

RPU to make \$5 million in budget cuts and deferrals

RPU to make \$5 million in budget cuts and deferrals

ROCHESTER, MN— Rochester Public Utilities (RPU) announces a proactive plan to make a combination of budget cuts and deferrals of approximately \$5 million starting in early April. Components of this plan are to be presented at the March RPU Board Meeting on March 31.

RPU is proposing these cuts and deferrals to reduce upward pressure on rates and to greater ensure future budget balance. Approximately \$2.9 million of the cuts and deferrals are capital and major projects. Other projects and work that can be scheduled out into a future year or can be accomplished through other means will be rescheduled or postponed. No staff reductions are being sought at this time.

Almost 60 percent of RPU's budgeted expenses are wholesale power from Southern Minnesota Municipal Power Agency. For 2009, \$91 million was budgeted for purchased power.

"The 2009 budget was developed and set in late 2008 during when the financial institutions were starting to collapse and on the leading edge of the current economic downturn. Since that time, the economy has continued to slow, along with a decline in wholesale markets and commodity sales. With anticipation of continued economic challenges, we are taking measures to remain fiscally sound in these uncertain times while maintaining a high level of reliable service," said Larry Koshire, RPU General Manager.

RPU board meetings are open to the public and are held on the last Tuesday of each month at the RPU Service Center.

About Rochester Public Utilities

As the municipal utility of Rochester, Minn., for more than 110 years, RPU provides high-quality and reliable electricity to over 47,000 customers. Water customers number more than 36,000. RPU continually investigates innovative technologies to help customers realize the best value from the services they receive. Current initiatives include fuel cell research, wind power, and photovoltaic offerings.

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2008 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, 2008. 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, 453 new electric customers and 343 new water customers were added in 2008. Growth, however, was lower than the recent past.
- The cooler summer weather had a small impact on revenues and demand decreased slightly due to the cooler weather patterns. Retail kilowatt-hour sales were slightly below budget, with a decrease of 3.0% over 2007. The annual peak demand of 270.4 megawatts was set in July, which is lower by 2% from the demand of 276.2 megawatts set in July 2007. The previous record of 288.3 megawatts was set in July 2006.
- Retail water sales (ccf) were down 5% in 2008 due in part to cooler summer temperatures and normal rainfall during the summer months.
- A 4% rate increase for the Electric Utility was approved by the Utility Board in December 2007, and went into effect February 2008. Water Utility rates were not changed.
- Rates for power purchased from SMMPA (Southern Minnesota Municipal Power Agency) increased 2.5% in January 2008 through the elimination of the excess equity payment. Purchased power costs from SMMPA and the MISO market represented 62% of electric operating expenses for 2008.
- The electric utility transferred approximately \$8.4 million, and the water utility transferred \$374,000 to the City's general fund in the form of in-lieu-of-tax payments.



- In August 2008, the Utility reached agreement with People's Cooperative Services (PCS) related to the acquisition of certain electric service rights from PCS. The agreement establishes the payment arrangements for various annexations. The agreement is valid until December 31, 2012 and is automatically renewed annually thereafter.
- During 2008, RPU continued to stabilize its 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 coming to a close 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.
- 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 2008 of 12,704 megawatt hours in energy savings. Actual energy savings of 13,666 megawatt hours were achieved through helping commercial and residential customers install energy efficient equipment and technologies. This represents an estimated 12,654 tons of carbon reduction.
- Legislative changes in 2007 affecting the Utility included the Next Generation Energy Act of 2007. 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 2008, RPU's energy savings of 13,666 megawatt hours represented 1.06% of annual retail energy sales.



Financial Analysis – Electric Utility

The following discussion provides analysis of the 2008 and 2007 comparative financial information provided in the following table.

Condensed Financial Information - Electric Utility

December 31, 2008 and 2007

(In millions)

Statement of Revenues, Expenses, & Changes in Net Assets

	2008	2007	Change
Operating Revenues	\$ 147.5	\$ 156.8	\$ (9.3)
Operating Expenses	129.1	136.0	(6.9)
<i>Operating Income</i>	<u>18.4</u>	<u>20.8</u>	<u>(2.4)</u>
Transfers Out			
(In-Lieu-Of-Tax Payments)	(8.4)	(8.5)	0.1
Other Income & Expense	2.4	3.5	(1.1)
Interest Expense	(4.8)	(3.5)	(1.3)
Capital Contributions	–	0.1	(0.1)
Nonoperating Revenue (Expense)	(10.8)	(8.4)	(2.4)
<i>Change in Net Assets</i>	<u>7.6</u>	<u>12.4</u>	<u>(4.8)</u>
Net Assets - Beginning of Year	133.5	121.1	12.4
<i>Net Assets - End of Year</i>	<u>\$ 141.1</u>	<u>\$ 133.5</u>	<u>\$ 7.6</u>

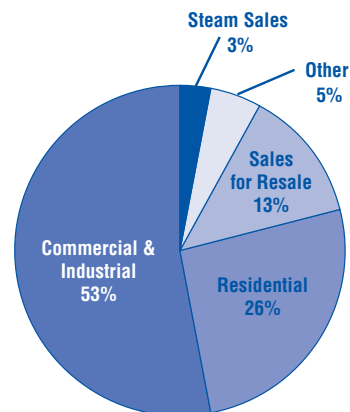
Statement of Net Assets

	2008	2007	Change
Cash	\$ 27.0	\$ 23.0	\$ 4.0
Other Current Assets	27.0	26.4	0.6
Capital Assets, Net	180.8	154.2	26.6
Other Noncurrent Assets	14.7	39.8	(25.1)
<i>Total Assets</i>	<u>249.5</u>	<u>243.4</u>	<u>6.1</u>
Current Liabilities	18.2	17.2	1.0
Long-Term Debt	88.1	90.6	(2.5)
Other Long-Term Liabilities	2.1	2.1	–
<i>Total Liabilities</i>	<u>108.4</u>	<u>109.9</u>	<u>(1.5)</u>
Invested in Capital Assets, Net of Related Debt	103.4	65.5	37.9
Restricted	–	34.0	(34.0)
Unrestricted	37.7	34.0	3.7
<i>Net Assets</i>	<u>\$ 141.1</u>	<u>\$ 133.5</u>	<u>\$ 7.6</u>

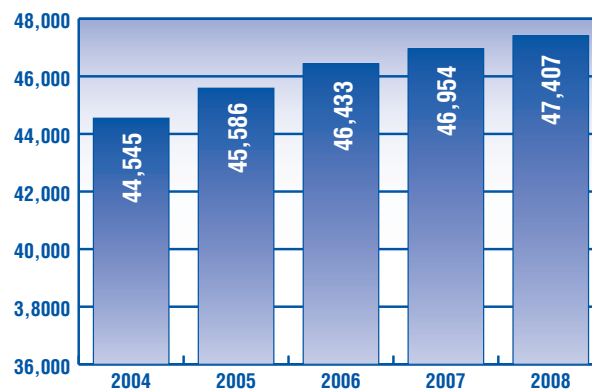
Operating Revenues

Operating revenues decreased \$9.3 million (6.0%) in 2008. This was due to a decrease in retail kilowatt-hour sales of 1.3% and a decrease in wholesale revenues of 41%. The decrease in kilowatt-hour sales is offset by a rate increase of 4% that went into effect in February 2008.

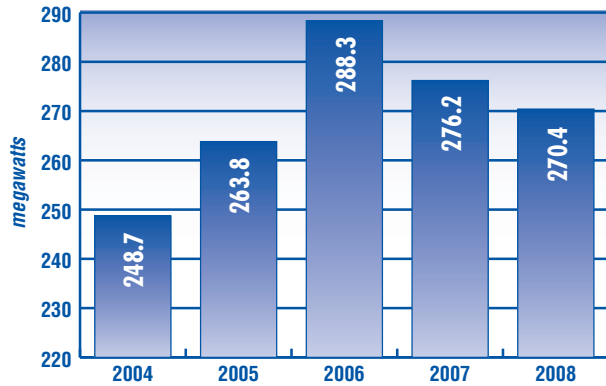
Electric Operating Revenues



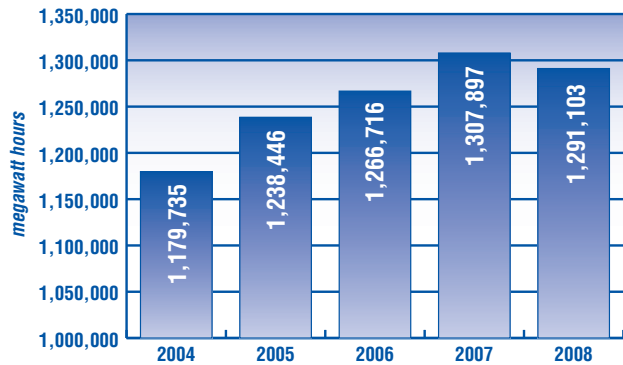
Number of Electric Customers



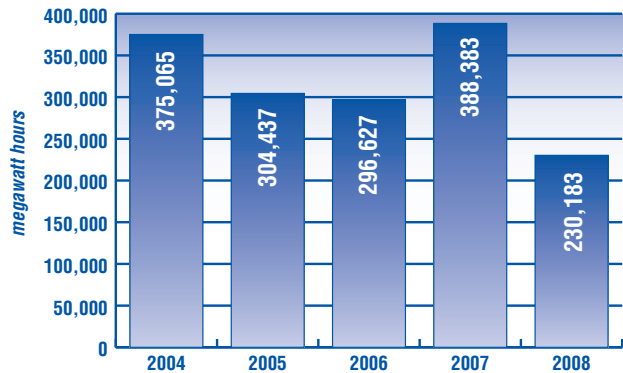
Electric Peaks



Electric Retail Sales



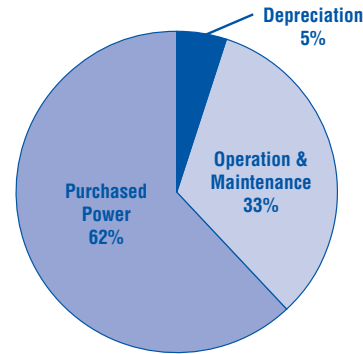
Wholesale Sales



Operating Expenses

Operating expenses decreased \$6.9 million (5%) in 2008, due primarily to a decrease in 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 62% of total 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 a decrease in kilowatt-hour sales the payment to the City decreased by \$134,000.

Other Income and Expense

Other income decreased \$1.1 million (31%) in 2008. This was due to a decrease in interest revenue earned on the proceeds from revenue bonds issued in March 2007. Interest rates were low during 2008 and the balance of cash decreased in the construction fund due to the near completion of the emission reduction project.

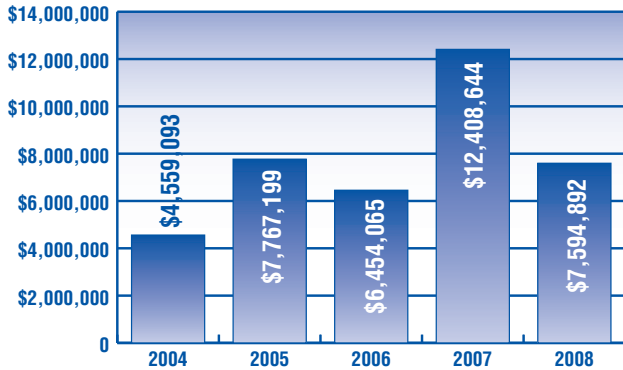
Interest Expense

Interest expense increased \$1.3 million in 2008 due to a full year of interest on the \$76.7 million in revenue bonds issued in March 2007.

Change in Net Assets

The increase in net assets for 2008 was \$7.6 million, \$4.8 million (38.5%) less than in 2007. This is primarily due to a decrease in retail kilowatt-hour sales and wholesale revenues, offset by a 4% rate increase in February 2008.

Change in Net Assets



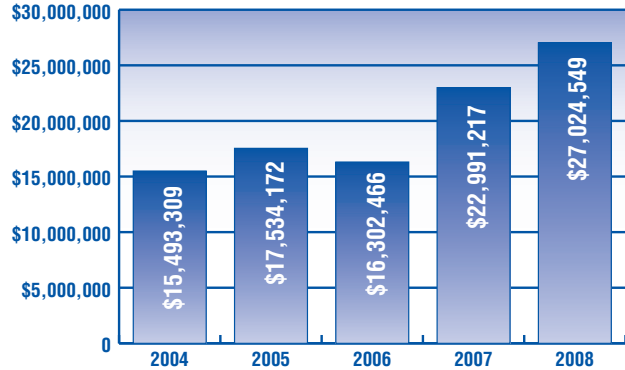
Cash and Other Assets

The ending unrestricted cash balance for 2008 was \$27.0 million, \$4.0 million higher than 2007. This is primarily due to the reimbursement of capital expenditures from the 2007 bond issue proceeds.

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 2008, actual cash reserves were at 73.6% of that goal.

Unrestricted Cash – Electric



Other current assets for 2008 were \$27.0 million, \$0.6 million higher than at the end of 2007. This increase was due primarily to an increase in fuels inventory due to higher fuel prices and build-up of generation fuel inventory, offset by a lower receivable balance from customers in 2008.

Other noncurrent assets decreased by \$25.1 million in 2008. Proceeds from the revenue bond issue in March 2007, classified as restricted cash, account for the majority of this decrease as it is being used for the emissions reduction project and other transmission and substation related projects.

Liabilities

Current liabilities increased \$1.1 million in 2008, 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

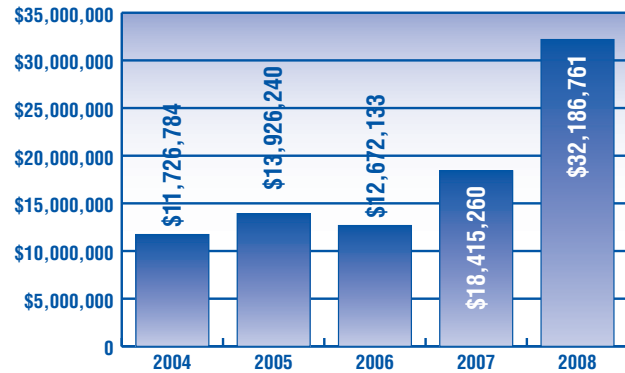
Net assets invested in capital assets, net of related debt, increased \$6 million. This increase reflects additions to capital assets funded through rate-based revenues, fees from customers, and debt proceeds.

Unrestricted net assets are not subject to any constraints by debt covenants or other legal requirements. In 2008, unrestricted net assets increased \$3.7 million due to the results of operations.

CAPITAL ASSETS

At December 31, 2008, the Electric Utility had \$180.8 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 \$34.0 million in 2008, reflecting the installation of structures and equipment designed to reduce harmful emissions from the Silver Lake Plant, investments in the distribution and transmission systems, and general facilities of the Electric Utility. This increase in capital assets was partially offset by a \$7.4 million increase in accumulated depreciation. Additional details regarding the Utility’s total assets (electric and water) may be found in Note 5 to the financial statements. Capital and major maintenance expenses increased by \$13.8 million in 2008, due to a higher dollar amount budgeted for capital projects in 2008.

Capital and Major Maintenance Expenditures



LONG-TERM DEBT

At the end of 2008, the Utility had \$85.3 million in revenue bonds and a \$4.1 million revenue note outstanding. No new debt was issued during the year and \$2.3 million was retired in 2008.

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 6 to the financial statements.



Financial Analysis – Water Utility

The following discussion provides analysis of the 2008 and 2007 comparative financial information provided in the following table.

Condensed Financial Information - Water Utility

December 31, 2008 and 2007

(In millions)

Statement of Revenues, Expenses, & Changes in Net Assets

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Operating Revenues	\$ 8.2	\$ 8.2	\$ -
Operating Expenses	7.0	6.9	0.1
<i>Operating Income</i>	<u>1.2</u>	<u>1.3</u>	<u>(0.1)</u>

Transfers Out

(In-Lieu-Of-Tax Payments)	(0.4)	(0.4)	-
Other Income & Expense	0.2	0.1	0.1
Interest Expense	(0.1)	(0.1)	-
Capital Contributions	1.1	1.3	(0.2)
Nonoperating Revenue (Expense)	0.8	0.9	(0.1)
<i>Change in Net Assets</i>	<u>2.0</u>	<u>2.2</u>	<u>(0.2)</u>

Net Assets - Beginning of Year	82.8	80.6	2.2
Net Assets - End of Year	<u>\$ 84.8</u>	<u>\$ 82.8</u>	<u>\$ 2.0</u>

Statement of Net Assets

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Cash	\$ 5.3	\$ 3.8	\$ 1.5
Other Current Assets	0.5	0.6	(0.1)
Capital Assets, Net	81.1	80.6	0.5
<i>Total Assets</i>	<u>86.9</u>	<u>85.0</u>	<u>1.9</u>

Current Liabilities	1.3	1.2	0.1
Long-Term Debt	0.4	0.8	(0.4)
Other Long-Term Liabilities	0.4	0.2	0.2
<i>Total Liabilities</i>	<u>2.1</u>	<u>2.2</u>	<u>(0.1)</u>

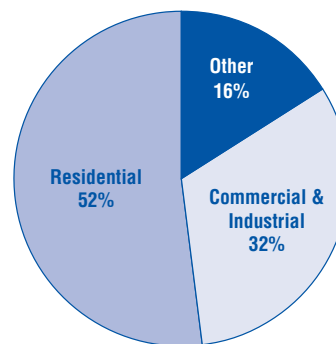
Invested in Capital Assets,

Net of Related Debt	80.3	79.4	0.9
Unrestricted	4.5	3.4	1.1
Net Assets	<u>\$ 84.8</u>	<u>\$ 82.8</u>	<u>\$ 2.0</u>

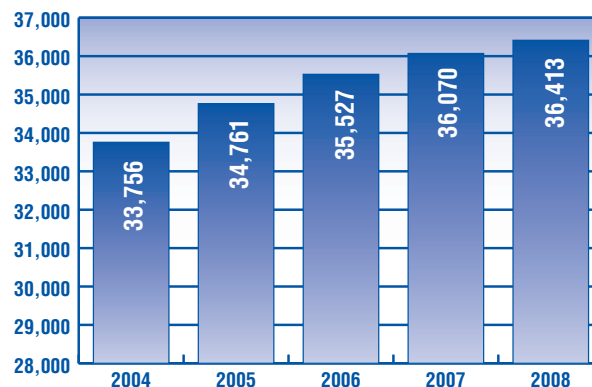
Operating Revenues

Operating revenues were unchanged in 2008. Rates from 2007 were not changed. Although sales volume decreased by 5%, utility service revenues decreased by only 2%. This is due to the rate structure where approximately 45% of utility service revenue comes from a fixed customer charge that doesn't vary with sales volume. The reduction in revenue related to sales volume was partially offset by an increase of \$44,000 (7%) in other operating revenue.

Water Operating Revenues



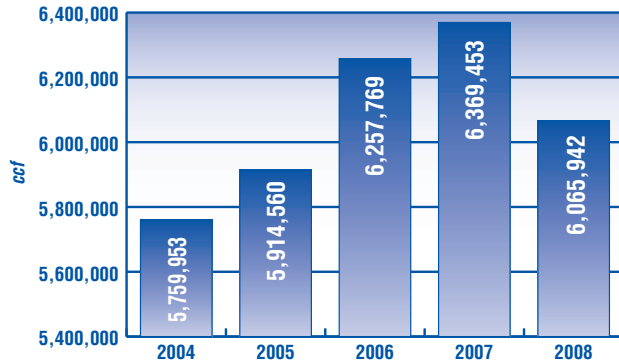
Number of Water Customers



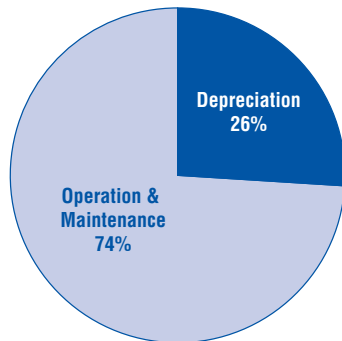
Operating Expenses

Operating expenses increased by \$48,000 (1.0%) in 2008. This was primarily due to increases in depreciation and materials and supplies, partially offset by a decrease in salaries and 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 decrease in ccf sold in 2008, payments to the City decreased by approximately \$12,000.

Capital Contributions

Capital contributions decreased \$195,000 in 2008. 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 2008 was \$2.0 million, \$200,000 lower than in 2007. This is primarily due to the decrease in reported capital contributions in 2008.

Change in Net Assets

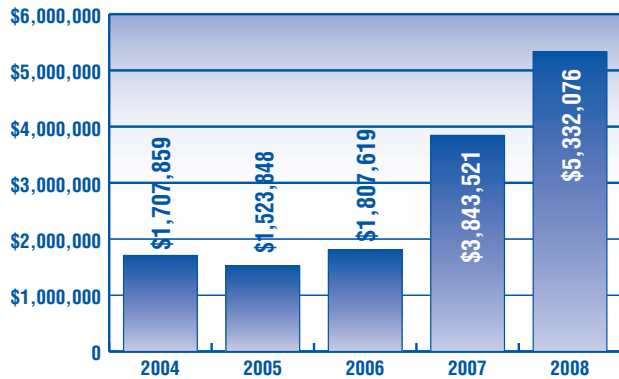


Cash and Other Assets

The ending unrestricted cash balance for 2008 was \$5.3 million, \$1.5 million higher than 2007 due to an increased amount of cash provided by operations and lower than anticipated capital expenditures.



Unrestricted Cash – Water



Other current assets for 2008 were \$521,000. These consisted of accounts receivable and inventory.

Liabilities

Current liabilities increased \$0.3 million in 2008 due to a larger amount owed to the City at the end of 2008 as well as an increase in accounts payable.

Net Assets

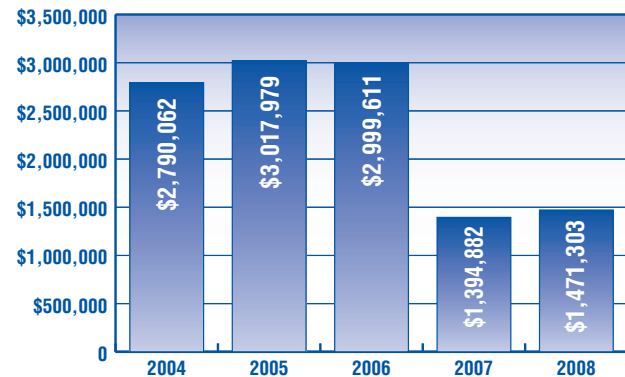
Net assets invested in capital assets, net of related debt, increased \$0.9 million. This increase reflects additions to capital assets. Capital expenditures for the Water Utility are funded through rate-based revenues, fees from customers and debt proceeds.

Unrestricted net assets are not subject to any constraints established by debt covenants or other legal requirements. In 2008, unrestricted net assets increased \$1.1 million due to the results of operations.

CAPITAL ASSETS

At December 31, 2008, the Water Utility had \$81.1 million invested in a broad range of utility capital assets, including 18 water storage facilities, 31 wells, water mains, pump station facilities, buildings, and equipment. Capital assets increased \$2.5 million in 2008, 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 5 to the financial statements. Capital and major maintenance expenses increased by \$76,000 in 2008, due to an increased amount budgeted for capital projects in 2008. Some of the major components of capital spending in 2008 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 2008, the Utility had an \$800,000 revenue note outstanding. No new debt was issued during the year, and \$700,000 was retired in 2008.



Miscellaneous Information

ECONOMIC FACTORS

The City Council has approved Electric and Water rate increases as needed to support the utility on a cost of service basis. In December 2007, the Electric Utility had a 4.0% increase approved that went into effective in February, 2008. 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%	3.9%	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 2008, there were 302 building permits totaling \$68.8 million issued for single-family homes as compared to 415 permits totaling \$81.6 million in 2007. Commercial building permits numbered 70 for 2008 totaling \$74.4 million as compared to 52 commercial permits valued at \$79.8 million in 2007.

The unemployment rate for the area of 5.4% remains well below the state and national rates of 6.8% and 7.1%. The employment data also shows that there were more people working in the Rochester area than the previous year. During the past 12 months, the average unemployment rate for Rochester was 4.5%.

After examining all of these factors in the budgeting process, RPU has projected electric rates to increase modestly 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	
	2008	2007
Operating Revenues:		
Electric:		
Retail	\$119,169,267	\$116,320,040
Wholesale	19,130,151	29,957,515
Other	9,162,749	10,494,896
Water	8,174,118	8,273,714
Total Operating Revenues	155,636,285	165,046,165
Operating Expenses:		
Purchased Power	79,934,588	79,982,503
Operations and Maintenance	46,202,217	54,331,600
Depreciation	9,919,462	8,580,069
Total Operating Expenses	136,056,267	142,894,172
Operating Income	19,580,018	22,151,993
Nonoperating Income (Expenses):		
Investment Income	2,821,942	3,371,636
Interest Expense	(4,775,846)	(3,569,543)
Miscellaneous, Net	(317,256)	200,639
Total Nonoperating Income (Expenses)	(2,271,160)	2,732
Income Before Transfers/Capital Contributions	17,308,858	22,154,725
Transfers Out	(8,765,487)	(8,911,606)
Capital Contributions	1,093,498	1,419,851
Change in Net Assets	9,636,869	14,662,970
Net Assets, Beginning of Year	216,322,481	201,659,511
Net Assets, End of Year	\$225,959,350	\$216,322,481

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



Income by Segments of Business

2008	Electric	Water	Total
Operating Revenues:			
Retail	\$119,169,267	\$7,507,855	\$126,677,122
Wholesale	19,130,151	—	19,130,151
Other	9,162,749	666,263	9,829,012
Total Operating Revenues	147,462,167	8,174,118	155,636,285
Operating Expenses	129,070,920	6,985,347	136,056,267
Operating Income	18,391,247	1,188,771	19,580,018
Nonoperating Income (Expense)	(2,407,620)	136,460	(2,271,160)
Income Before Transfers/Capital Contributions	15,983,627	1,325,231	17,308,858
Transfers Out	(8,391,442)	(374,045)	(8,765,487)
Capital Contributions	2,707	1,090,791	1,093,498
Change in Net Assets	\$7,594,892	\$2,041,977	\$9,636,869

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

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

Consolidated Statements of Net Assets

December 31

	2008	2007
ASSETS:		
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$32,356,638	\$26,834,739
Accounts Receivable and Accrued Utility Revenues	11,303,006	13,998,473
Fossil Fuel Inventory	10,676,370	7,652,951
Materials and Supplies Inventory	5,281,959	5,173,324
Other Current Assets	247,366	95,349
Total Current Assets	59,865,339	53,754,836
Non-Current Assets:		
Restricted Assets (Note 4):		
Cash and Cash Equivalents	13,240,843	36,184,899
Amounts Held in Escrow	-	2,132,585
Total Restricted Assets	13,240,843	38,317,484
Deferred Charges:		
Unamortized Bond Issuance Costs	806,241	893,870
Other	592,028	658,724
Total Deferred Charges	1,398,269	1,552,594
Capital Assets:		
Construction Work in Progress	49,772,624	24,840,224
Land and Land Rights	3,175,326	3,448,237
Depreciable Assets, Net (Note 5):		
Electric	132,448,567	128,987,172
Water	76,561,617	77,518,824
Net Capital Assets	261,958,134	234,794,457
Total Non-Current Assets	276,597,246	274,664,535
Total Assets	\$336,462,585	\$328,419,371

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



	December 31	
	2008	2007
LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$12,129,603	\$11,054,530
Due to Other Funds	1,804,014	1,626,606
Accrued Compensation and Compensated Absences	2,013,728	1,880,834
Customer Deposits	347,816	486,214
Interest Payable	323,771	330,324
Current Maturities of Long Term Debt (Note 6)	2,897,352	2,748,149
Deferred Credits	255,821	280,467
Total Current Liabilities	19,772,105	18,407,124
Non-Current Liabilities:		
Accrued Compensated Absences	1,377,518	1,364,555
Accrued Claims	93,000	99,000
Long-Term Debt (Note 6)	88,485,977	91,415,156
Unearned Lease Revenues	774,635	811,055
Total Non-Current Liabilities	90,731,130	93,689,766
Commitments and Contingencies (Note 10)		
Total Liabilities	\$110,503,235	\$112,096,890
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	\$174,778,828	\$144,891,163
Restricted for Construction (Note 4)	8,960,112	31,924,889
Restricted for Service Territory Acquisition (Note 4)	-	2,132,585
Unrestricted Net Assets	42,220,410	37,373,844
Total Net Assets	\$225,959,350	\$216,322,481

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



**Consolidated
Statements
of Cash Flows**

	Years Ended December 31	
	2008	2007
Cash Flows From Operating Activities:		
Cash Received from Customers	\$152,653,050	\$160,970,905
Cash Paid to Suppliers and Employees	(131,403,000)	(139,149,618)
Internal Activity – Payments From Other Funds	5,140,516	4,523,413
Net Cash Provided By Operating Activities	26,390,566	26,344,700
Cash Flows From Noncapital Financing Activities:		
Operating Transfers to Other Funds	(8,727,583)	(8,873,026)
Cash Flows From Capital and Related Financing Activities:		
Capital Contributions	2,708	134,680
Additions to Utility Plant and Other Assets	(31,910,067)	(23,100,064)
Service Territory Acquisition	(1,147,781)	(484,495)
Payments on Bonds and Notes Payable Obligations	(6,963,688)	(34,660,597)
Proceeds from Issuance of Bond Payable	-	76,680,000
Net Cash Provided By (Used In) Capital and Related Financing Activities	(40,018,828)	18,569,524
Cash Flows From Investing Activities:		
Interest Received	2,801,103	3,303,133
Funds Released From Service Territory Escrow	2,188,886	-
Service Territory Escrow Payments	(56,301)	(188,021)
Net Cash Provided By Investing Activities	4,933,688	3,115,112
Net Increase (Decrease) in Cash and Cash Equivalents	(17,422,157)	39,156,310
Cash and Cash Equivalents, Beginning of Year	63,019,638	23,863,328
Cash and Cash Equivalents, End of Year	45,597,481	\$63,019,638
Classified As:		
Current Assets	\$32,356,638	\$26,834,739
Restricted Assets	13,240,843	36,184,899
Total Cash and Cash Equivalents, End of Year	\$45,597,481	\$63,019,638
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$19,580,018	\$22,151,993
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	9,919,462	8,580,069
Increase in Allowance for Doubtful Accounts	681,890	421,039
Other	(828,129)	106,465
(Increase) Decrease In:		
Accounts Receivable and Accrued Utility Revenues	2,013,579	(1,363,924)
Inventories	(3,132,054)	(3,374,081)
Prepaid and Other Current Assets	(141,233)	(9,975)
Increase (Decrease) In:		
Accrued Liabilities and Accounts Payable	(1,503,503)	(226,606)
Customer Deposits	(138,398)	(2,932)
Unearned Lease Revenues	(36,420)	(36,420)
Other	(24,646)	99,072
Net Cash Provided by Operating Activities	\$26,390,566	\$26,344,700
Non-Cash Capital and Related Financing Activities:		
Additions to Utility Plant and Other Assets Contributed By:		
City's Governmental Funds	\$311,646	\$426,892
Developers	\$779,145	\$858,279

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 2007 financial statements to conform to the 2008 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 \$3,060,872 and \$3,777,452 for the years ended December 31, 2008 and 2007, respectively.

Sales to the Utilities single largest retail customer were \$17,702,020 and \$16,512,380 in 2008 and 2007, respectively. During the year ended December 31, 2008, no other customer accounted for more than 10% of operating revenues. Sales to other funds of the City of Rochester were \$4,287,970 and \$4,180,086 for the years ended December 31, 2008 and 2007, 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 a minimum of 100% 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 2008 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 \$4,280,731 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:

	2008	2007
Reserve Account	\$ 4,280,731	\$ 4,260,011
Construction Fund	8,960,112	31,924,888
Total Restricted Cash and Cash Equivalents	\$ 13,240,843	\$ 36,184,899

Restricted Amounts Held in Escrow

In accordance with a territorial rights agreement with People's Cooperative Services, the Utility had deposited funds in an escrow account managed by a fiscal agent upon annexation of areas in service territories assigned to People's Cooperative Services. During 2008 the Utility and People's Cooperative Services reached agreement as to compensation for previous annexations and it also established compensation terms for future annexations. The agreement, which is valid until December 31, 2012 with automatic renewal thereafter, ended the requirement for an escrow. The service territory escrow fund totaled \$0 and \$2,132,585 at December 31, 2008 and 2007 respectively.



NOTE 5: Capital Assets

Major classes of depreciable assets and total accumulated depreciation as of December 31, 2008 and 2007 are as follows:

	2008	2007
Intangible Plant Assets	\$ 10,251,460	\$ 9,052,590
Buildings, Structures, and Improvements	34,878,067	34,616,986
Installations, Equipment, and Fixtures	293,518,477	283,114,470
Total Depreciable Assets	338,648,004	326,784,046
Less: Accumulated Depreciation	129,637,820	120,278,050
Net Depreciable Assets	\$ 209,010,184	\$ 206,505,996

In 2008, capital assets totaling \$311,646 were contributed to the Utility by other funds of the City of Rochester, and \$779,145 were contributed to the Utility by others.

NOTE 6: Long-Term Debt

At December 31, 2008 and 2007, long-term debt consisted of the following:

	2008	2007
Revenue Bonds, Series 2007C 4.00% - 5.00%, due each December 1 through 2030	\$ 75,970,000	\$ 76,185,000
Revenue Bonds, Series 2002A 3.00% - 4.50%, due each December 1 through 2017	7,620,000	8,305,000
Revenue Bonds, Series 2000A, 4.75% - 5.25%, due each December 1 through 2010	1,695,000	2,490,000

Revenue Note Payable, principal due each December 1 through 2014, interest due each June 1 and December 1 at variable rate, currently 3.95%	4,140,000	4,610,000
Revenue Note Payable 3.80%, principal due each December 1 through 2010, interest due monthly	800,000	1,170,000
Capital lease obligations	450,604	663,703
Less: Unamortized Discount	197,428	208,935
Less: Unamortized Deferred Amount on Refunding	1,926,113	2,063,576
Plus: Unamortized Premium	2,831,266	3,012,113
Less: Current Maturities	2,897,352	2,748,149
Total Long-Term Debt	\$ 88,485,977	\$ 91,415,156

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 unamortized balance at December 31, 2008 and 2007 was \$1,926,113 and \$2,063,576 respectively. The Utility completed the advance refunding to reduce its total debt service payments over the subsequent 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, 2008, \$30,165,000 of the Series 2000A revenue bonds outstanding are considered defeased.

The annual requirements to amortize all debt outstanding as of December 31, 2008, including interest payments of \$55,077,466 are as follows:

	Revenue Bonds	Notes Payable	Capital Leases
2009	\$ 5,627,619	\$ 1,154,207	\$ 238,086
2010	5,632,769	1,185,809	235,065
2011	5,627,681	792,928	–
2012	5,631,081	832,356	–
2013	5,631,281	877,770	–
Thereafter	111,363,294	924,543	–
Total	\$ 139,513,725	\$ 5,767,613	\$ 473,151

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 1,311,328,492 and 1,323,149,868 kilowatt hours totaling \$78,800,735 and \$77,556,881 from SMMPA during the years ended December 31, 2008 and 2007, respectively.

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, 2008 were \$1,795,682 of which \$933,698 was made by the Utility and \$861,984 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, 2008 and 2007 was \$74,925 and \$81,853, respectively.

NOTE 9: Legal Matters

In 2005, the City of Rochester brought a claim against Southern Minnesota Municipal Power Agency (SMMPA) its primary wholesale power supplier, seeking a declaratory judgment 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.

A bench trial covering the City of Rochester claim and SMMPA's counter claim was held in January, 2009. Before and during the trial, the Court granted Rochester's motions to dismiss its breach of contract claims concerning rates. As of the date of this report the ruling was pending.

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 \$820,000 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 \$34,000 and \$37,000 at December 31, 2008 and 2007, 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, 2008 and 2007 was as follows:

	2008	2007
kWh provided	191,666,184	361,964,472
Payments for availability	\$ 3,404,100	\$ 3,539,647
Reimbursed generation costs	\$ 5,437,708	\$ 7,547,614
Market-based sales	\$ 10,276,515	\$ 18,836,092

Service Territory Settlements

Under an agreement with People's Cooperative Services (PCS), the Utility is required to make payments to PCS related to the acquisitions of certain electric service rights from PCS. The agreement is valid until December 31, 2012 and is automatically renewed annually thereafter, subject to either party electing to terminate it. For annexations under 80 acres payments are based upon the amount of electricity sold in specific annexations over a ten-year term starting with the first permanent service in each annexation with the payment term being negotiated for annexations over 80 acres. The payment varies by each settlement agreement and ranges from 5.7 mills (tenths of a cent) per kWh to 15 mills per kWh with future rates indexed for inflation. These commitments expire over various periods as determined by the length of the term for each annexation. 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, 2008 and 2007 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, 2008 and 2007, 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, Ltd.

Smith, Schafer and Associates, Ltd.

Certified Public Accountants

March 24, 2009

Rochester, Minnesota



Operating and Financial Statistics (unaudited)

ELECTRIC	2008	2007	2006	2005	2004	1999
Retail Customers:						(10 years ago)
Residential	42,861	42,429	41,926	41,179	40,329	34,575
General Service	4,540	4,519	4,501	4,401	4,210	3,680
Industrial / Commercial	2	2	2	2	2	2
Other	4	4	4	4	4	4
Total Retail Customers	47,407	46,954	46,433	45,586	44,545	38,261
Retail Sales: (mWh)						
Residential	328,030	342,601	333,685	327,162	300,108	262,200
General Service	640,711	640,913	623,563	608,760	592,690	530,641
Industrial / Commercial	306,828	307,952	292,580	286,246	270,939	233,083
Other	15,534	16,431	16,888	16,278	15,998	15,558
Total Retail Sales (mWh)	1,291,103	1,307,897	1,266,716	1,238,446	1,179,735	1,041,482
Retail Revenue:						
Residential	\$37,790,777	\$37,758,843	\$33,537,874	\$29,724,751	\$26,391,940	\$20,532,160
General Service	57,912,677	55,981,623	49,559,854	43,813,580	41,172,242	33,240,749
Industrial / Commercial	21,159,879	20,276,556	17,183,144	15,484,581	14,536,253	11,961,707
Other	2,305,934	2,303,018	2,088,066	1,857,280	1,756,415	1,541,165
Total Retail Revenue	\$119,169,267	\$116,320,040	\$102,368,938	\$90,880,192	\$83,856,850	\$67,275,781
Steam Sales (MLBs)	346,449	391,828	165,676	17,934		
Steam Revenues	\$3,771,825	\$4,449,701	\$2,617,899	\$281,966		
Annual Peak (Megawatts)	270.4	276.2	288.3	263.8	248.7	230.2
Total mWh Generated	231,848	395,558	304,571	317,899	383,246	222,840
Total mWh Purchased	1,324,665	1,338,176	1,287,672	1,262,310	1,208,357	1,055,321
Year End Cash Balance	\$40,265,406	\$61,308,702	\$22,477,464	\$22,396,555	\$19,252,385	\$11,845,061
WATER	2008	2007	2006	2005	2004	1999
Retail Customers:						(10 years ago)
Residential	33,044	32,671	32,143	31,477	30,622	25,573
Industrial / Commercial	3,369	3,399	3,384	3,284	3,134	2,712
Total Retail Customers	36,413	36,070	35,527	34,761	33,756	28,285
Retail Sales: (ccf)						
Residential	3,070,783	3,180,064	3,176,005	3,002,546	2,751,441	2,544,315
Industrial / Commercial	2,995,159	3,189,389	3,081,764	2,912,014	3,008,512	3,348,606
Total Retail Sales (ccf)	6,065,942	6,369,453	6,257,769	5,914,560	5,759,953	5,892,921
Retail Revenue:						
Residential	\$4,221,429	\$4,257,801	\$4,017,533	\$3,677,305	\$3,303,751	\$2,290,453
Industrial / Commercial	2,750,233	2,865,348	2,643,985	2,392,942	2,275,949	1,930,589
Public Fire Protection	536,193	528,748	494,712	450,215	429,228	239,933
Total Retail Revenue	\$7,507,855	\$7,651,897	\$7,156,230	\$6,520,462	\$6,008,928	\$4,460,975
Total Pumped (billion gallons)	4.8	5.1	5.1	4.7	4.6	4.6
Year End Cash Balance	\$5,332,076	\$3,843,521	\$3,330,428	\$1,523,848	\$1,707,859	\$1,539,357



General Information

Rochester Public Utilities Leadership

Larry Koshire, **General Manager**
Mark Kotschevar, **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 President**, *Vice Chair of Campus Planning/ Project Coordination, Mayo Clinic*

Dave Reichert, **Board Member**, *Facilities Engineering Manager, IBM*

Roger Stahl, **Board Member**, *Attorney; Wendland, Utz, Stahl, Mintz, Ltd.*

Jerry Williams, **Board Member**, *Retired*

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:

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



Rochester Public Utilities Utility Board

Pictured from left to right:

Jerry Williams, **Board Member, Retired**
Dave Reichert, **Board Member, Facilities Engineering Manager, IBM**
John (Jack) Jibben, **Board President, Vice Chair of Campus Planning/ Project Coordination, Mayo Clinic**
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**





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