

#### **REQUEST FOR ACTION**

#### **Renewable Energy Power Purchase Agreement**

MEETING DATE: ORIGINATING DEPT:

October 6, 2025 Rochester Public Utilities

AGENDA SECTION: PRESENTER:

Consent Agenda Director of Power

Resources, Bill Bullock

# **Action Requested:**

Adopting a Resolution authorizing the City to enter into a Wind Energy Purchase Agreement by and through Rochester Public Utilities for the Restore Renewables Dodge Center Wind Project and the Engie North Hills Wind Project.

#### **Report Narrative:**

#### Background

RPU has set a resource plan goal of 100% net renewable energy by 2030 aligned with the expiration of the Southern Minnesota Municipal Power Agency (SMMPA) contract. Since the initial goal was set, the federal policy toward renewables has shifted significantly. The eligibility for tax credits has been sharply curtailed so only projects that are in advanced stages of development have a chance to qualify. The impact of this policy change is a smaller pool of projects, and the surviving projects have a short runway in order to secure the tax credits that offset project costs by 30% or more. Since the tax credits are now largely sunsetting by 2028, the ability to secure contracts requires executing power purchase agreements ahead of our initial goal and before the SMMPA contract term ends. This exposes RPU to additional costs and places upward pressure on rates. However, securing the contracts is important to ensure RPU can comply with the Minnesota Carbon Free Standard and RPU's renewable goals as well as securing a long-term energy cost hedge with long term supply contracts for predictably priced wind energy.

Staff ran a Request for Information (RFI) process at the end of 2024 and received several responses from wind, solar, and energy storage developers. Teammates identified several lower risk, lower priced projects that could serve as foundational elements of a decarbonized power supply portfolio.

The RPU team has since done economic modeling, discussed terms, and is now reviewing contracts with these renewable project developers. Of the projects evaluated, staff have identified three (3) projects with two (2) developers that are the most promising to help meet RPU's resource planning goals. The City Council approved the first of these projects - the Adams Wind Energy Project on September 22. RPU is asking for approval of the other two projects at this time.

The projects include an existing 40 MW wind project in Dodge Center, Minnesota, and a new development 180 MW wind project in Howard County, Iowa (North Hills).

This item seeks authorization for the City to enter into this contract. The contracted energy from these projects represents over 58% of RPU's energy needs, locks in pricing in an uncertain market, for a 15-and 25-year term, respectively. Altogether, this wind portfolio is expected to deliver over 60% of our

energy needs moving forward.

# **Policy Considerations & DEI Impact:**

The Power Purchase Agreements (PPAs) are a key part of the strategy to decarbonize RPU's power supply. The renewable energy certificates included with the power in these agreements is key to compliance with the Minnesota Carbon Free Standard and RPU's net renewable goals.

A redacted copy of the Power Purchase Agreement (PPA) is attached because certain contract terms are protected under a nondisclosure agreement. The City of Rochester has previously exercised its authority under Minn. Stat. § 453 to act in a commercial capacity. This allows the city to withhold proprietary information while still fulfilling its disclosure obligations.

# **Prior Legislative Actions & Community Engagement:**

RPU teammates presented the updates to the 20-year financial projection and the power supply resource plan update in the July 22, 2025, Utility Board Meeting, which outlined the costs of different scenarios. Teammates also presented a Council Study Session report on the Wind Energy Purchase Agreements and how they contribute to the net renewable goals of the City on September 8, 2025.

# Fiscal & Resource Impact:

These projects account for approximately 58% of RPU's projected annual energy purchases. The agreement will supplant part of the SMMPA supply in 2030 on termination of the SMMPA contract and retirement of the Sherco Unit 3. The Dodge Center project may begin delivering output in 2026. In 2026 through 2029, renewable energy certificates will be banked. The North Hills project is expected to begin operation by early 2027.

Federal Policy changes could increase the price of these agreements, particularly if the pending changes to IRS rules put the currently assumed eligibility for federal tax credits at risk.

This project will provide a compliance pathway for the Minnesota Carbon Free Standard through 2041 and significant progress toward the RPU 100% net renewable energy by 2030 as part of the overall power supply plan.

# Prepared By:

Bill Bullock

#### **Attachments:**

Report - RPU Board Report on Renewable Energy Purchase

Exhibit - RPU Signed Resolution - Renewable Energy Purchase Agreements

Purchase Agreement - Dodge Center Wind Energy

Purchase Agreement - North Hills Wind Energy (Proposed Final Version Redacted).pdf

Resolution - RPU Renewable Energy Purchase

Presentation RPU Dodge Center-North Hills Renewable Power Purchase Agreements