



REQUEST FOR ACTION

Budget Amendment - Rochester Public Utilities - 2026 Electric Utility Budget Related to New Services and Distribution Transformer Allocations

MEETING DATE:

May 18, 2026

ORIGINATING DEPT:

Rochester Public Utilities

AGENDA SECTION:

Consent Agenda

PRESENTER:

Scott Nickels

Action Requested:

Adopting a Resolution for a 2026 Electric Utility budget amendment to increase the New Services Allocation by the amount of \$2,300,000 to a new total of \$3,180,572 and a 2026 Electric Utility budget amendment to increase the Distribution Transformer Allocation by the amount of \$500,000 to a new total of \$2,050,000.

Report Narrative:

In 2025, Rochester Public Utilities (RPU) spent \$1,540,188 to install New Services for 486 new customers. The 2026 budgeted allocation for New Services is \$880,572, which was calculated based on the historical spend rate for this category. Current indications from Community Development and RPU Staff indicate that in 2026, there are an estimated 1,000 new customers that will need to be installed from the New Services Allocation capital funds. Therefore, the new spend requirement will need to be \$3,169,111 to achieve the 2026 installation estimate. This results in a budget shortfall of \$2,288,539, which, rounded up, is \$2,300,000. An additional factor that impacts the capital expenditures from the New Services Allocation is the recent trend for developers to construct through the winter months, which significantly increases installation expenses due to adverse soil and frost conditions. The developers reimburse RPU for the cost increase to install services in adverse soil conditions, but it is not applied as a credit to the New Services Allocation. RPU also collects a per lot fee from the developer, but it is also not applied as a credit to the New Services Allocation for the increase in volume.

In 2025, RPU spent \$1,938,324 on distribution transformers. The 2026 budget for transformers is \$1,550,000. To date, RPU has spent \$478,907 on distribution transformers, with a remaining budget of \$1,071,092 for 2026. RPU Staff has estimated a spend rate in 2026 for distribution transformers will be equal to 2025. To develop this estimate, RPU Staff took into account the distribution transformer counts that are already in inventory, in process at the manufacturer, pending delivery by the manufacturer, and estimated the unit counts that will likely still need to be ordered in 2026 to respond to the increase in new services. Therefore, an increase of \$500,000 to the distribution transformer allocation is needed.

Other factors that are impacting the capital expenditures from the Distribution Transformer Allocation are: Due to EV adoption and electrification, RPU subdivision design standards require each distribution transformer to be larger in size and serve fewer houses to keep system reliability at mandated levels. A larger transformer is more expensive than a smaller unit, and higher transformer density within residential subdivisions increases the total number of transformers needed. RPU is seeing adoption of electrification in the form of electric heat in many new apartment buildings, which requires the installation of larger transformers at these and other commercial buildings, which increases costs. Single-phase

transformers have lowered in price since 2025, and the lead time for these single-phase transformers has been steady at roughly 3 to 4 months. However, an increase in the Distribution Transformer Allocation is still needed based on the increase in new service volume estimates.

Priorities & Foundational Principles:

Fiscal Responsibility & Sustainability

Quality Services

Policy Considerations & DEI Impact:

This item supports continued investment in the electric distribution system needed to serve customer growth, new service connections, and required distribution transformer allocations. The budget amendment aligns electric utility funding with actual development activity and equipment needs, helping RPU maintain safe, reliable, and timely electric service as Rochester continues to grow. While transformer supply chain conditions have improved slightly, including better lead times and lower pricing for some common distribution transformers, higher demand from community growth continues to increase the overall transformer budget need.

No adverse DEI impacts are anticipated. Reliable electric service is a foundational community need for residents, businesses, housing, public facilities, and economic development. Maintaining adequate funding for new services and transformer equipment helps ensure that electric service can be extended consistently and equitably across the community as growth occurs.

Prior Legislative Actions & Community Engagement:

The City Council approved the 2026-2027 Rochester Public Utilities 2026-2027 budget on 12/1/2025.

Fiscal & Resource Impact:

RPU does cost-based budgets and allocations. The increases to the New Services Allocation and Distribution Transformer Allocation that is requested will be partially offset by the increased volume of per lot fees and adverse soil reimbursement that are paid for by the developer. While not directly impacting the approved 2026 2027 rates, construction inflation and changes in system design to meet increase electric loads will be reflected in future line extension and per lot charges. The lot and line extension assessments will be evaluated during the 2027 Electric Fund cost-of-service study and be reflected in the recommended 2028 budget.

Alternative Action(s):

No alternative actions are suggested at this time.

Prepared By:

Scott Nickels

Attachments:

[Cover Page](#)

[Exhibit - RPU Signed Resolution - 2026 Budget Amendment Electric Utility Allocations](#)

[Resolution - RPU Budget Amendment Electric Utility Allocations](#)