



# GRAND RAPIDS PUBLIC UTILITIES COMMISSION REGULAR WORK SESSION MEETING AGENDA

Wednesday, November 27, 2024

2:30 PM

**CALL TO ORDER:** Pursuant to due notice and call thereof, a Work Session Meeting of the Grand Rapids Public Utilities Commission will be held on Wednesday, November 27, 2024 at 2:30 PM in the conference room of the Public Works/Public Utilities Service Center at 500 SE 4th Street, Grand Rapids, Minnesota.

**CALL OF ROLL:**

**BUSINESS:**

- [1.](#) 2025 Preliminary Budget Presentation

**ADJOURNMENT:**

The next Regular Meeting of the Commission is scheduled for Wednesday, December 18, 2024 at 4:00 PM in the conference room of the Public Works/Public Utilities Service Center at 500 SE 4th Street.

The GRPUC has adopted a Meeting Protocol Policy, which informs attendees of the GRPUC's desire to conduct meetings in an orderly manner which welcomes all civil input from interested parties. If you are unaware of the policy, please contact our office at 218-326-7024 and we will provide you with a copy of the policy.



# GRAND RAPIDS PUBLIC UTILITIES COMMISSION AGENDA ITEM

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**AGENDA DATE:** November 27, 2024

**AGENDA ITEM:** 2025 Preliminary Budget Presentation

**PREPARED BY:** Julie Kennedy, General Manager and GRPU Management Team

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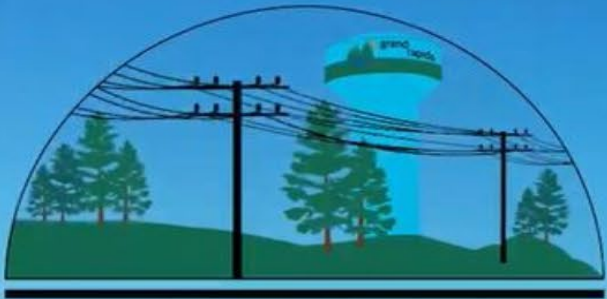
## **BACKGROUND:**

The preparation of the 2025 operations and capital budget has been a very different process from any other year. To recall, earlier this year the Commission approved the recommendation to cease using Federal Energy Regulatory Commission (FERC) regulatory accounting and move to General Accepted Accounting Principles of Governmental Accounting Standards Board (GASB) for our accounting and reporting. The change to GASB has been beneficial as we work with the City on the collaborative effort of our new ERP system. That said, because we're in the middle of this accounting system change, our general ledger (GL) is in transition between old and new, making it difficult and very time-consuming to try and show comparative financial reports. Our former reports are not useful and our new 2025 reports are still being developed.

Consequently, our work session presentation will include the draft 2025 Annual Operating Plan and an overview of the 2025 preliminary utilities' operations budgets. Though the presentation format will be different, we continue to use our same team approach of managers, directors, and key team members creating a zero-based budget by looking at the historical and forecasted financial information, our current rates studies, and present supply chain pricing and availability. One benefit of the change in the GL system has been an improved ability to bring to light GRPU's complex allocations across the utilities' budgets so we can more easily review and update them based on the proposed year's annual operating plan. The 2025 preliminary operations budgets we'll review at the work session are conservative and currently include all the labor costs, though a portion of these costs will be re-classified into our capital projects budgets. It is our intention to have reports prepared for each utilities' operations and capital budgets for the final budget agenda item at our December meeting.

## **RECOMMENDATION:**

Review and discussion only – action to be taken at December meeting.



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# OPERATING PLAN

2025

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## ANNUAL PLANNING PROCESS

In 2023, the Grand Rapids Public Utilities Commission (GRPUC) developed a new strategic plan. It is intended to serve as a roadmap for the future development and growth of utility services in our community.

To accomplish this going forward, a practical, realistic, and easily implemented process for breaking our long-range plan into clear, attainable goals is necessary. To that end:

- In the fall of each calendar year the Grand Rapids Public Utilities Commission will review and update the organization's Strategic Plan. Inherent in this process is a discussion of the most pressing matters to be addressed and the actions that are necessary to achieve GRPUC's organizational intent.
- Grand Rapids Public Utilities (GRPU) staff takes this Commission-directed information, aligns it with known and anticipated operational exigencies, and proposes a results-focused work plan and budget for the upcoming year. The suggested operational and budget plan is then reviewed, revised if necessary, and eventually approved by the Commission at its December meeting.
- Once this vote has occurred, staff performance plans, accountability metrics, and reporting mechanisms are put into place so that everything is ready for the start of the new fiscal year.

## ASSUMPTIONS AND CRITICAL SUCCESS FACTORS

This plan assumes the following conditions:

- There will be no major technical or infrastructure failures, cyber or security breaches during the year.
- There will be no game-changing regulatory or legislative mandates that impact operations in the near term.
- The supply chain will be predictable and reliable.
- There is no significant change in staffing levels or skill sets.
- GRPU will not have to cope with significant natural disasters that cause lengthy outages or require unplanned infrastructure replacements.
- The status of the utility and its relationship with the City of Grand Rapids will be unchanged.
- There will be no unanticipated impacts on large ratepayers and no significant changes (gain/loss) of the customer base).
- Agencies will review submitted plans in a timely manner.
- There are no major safety incidents resulting in injury and/or investigation.

The year 2025 is the second cycle during which the organization will be working to make progress toward achievement of the strategic plan goals developed in 2023. This

plan, created with input from nearly 100 GRPU stakeholders, reflects a vision for taking GRPU to a new level of excellence and relevance in Grand Rapids.

We deem the critical success indicators for our work in 2025 to be:

1. Ensuring an accurate assessment of GRPU's financial capacity and successful management of risks.
2. Maintaining and improving employee culture.
3. Effective and efficient collaboration with the City of Grand Rapids.
4. Successfully maintaining and improving the community's perception of the dynamic public asset that is GRPU.
5. GRPUC support for the projects in this plan and the staff who will carry them out.

In general, this plan identifies only new or additional activities that will be undertaken in 2025. It does not state most ongoing "business as usual" activities or describe activities that will be discontinued if that decision falls within staff purview. It also does not describe every operational activity necessary to achieve the above critical success indicators or the supporting activities listed. The intent in the plan that follows is to enumerate the specific activities and deliverables that will be undertaken in support of the GRPU Strategic Plan during the 2025 fiscal year, and to provide GRPUC and staff members with an understanding of what will be necessary to achieve those ends.

## STRATEGIC PILLARS<sup>1</sup>

### ***Uninterrupted, High Quality Utility Services (US)***

GRPU recognizes that nothing else we do matters more to our customers than the delivery of reliable, affordable, and sustainable services. GRPU’s Strategic Plan sets the following goals for the next five years related to uninterrupted, high quality utility services.

1. GRPU will develop and begin to execute a long-term (i.e., no less than five years, no greater than twenty years) infrastructure replacement plan that also accounts for anticipated system growth of up to 20% and gradual undergrounding of the electrical system.
2. GRPU will complete the renovation of its water treatment facility to improve operations and ensure adequate future capacity.
3. GRPU will complete the process of jetting its sanitary sewers.
4. GRPU will assess and address customer expectations regarding future technology upgrades they may expect or desire as our system evolves.
5. GRPU will adopt policies and develop contingency plans to:
  - a. manage risks to infrastructure that may result from the activities of bad actors.
  - b. manage risks associated with grid failures or the inability of our single source of power to meet its obligations.

To reach these strategic objectives, GRPU will work toward the following operational outcomes for the calendar year 2025:

Goal	Deliverable	Responsible	Target Date
<b>US-1, US-4, FM-1, OE-2</b>	Substantially operating ERP system (approximately 90% of modules functioning and collecting data)	Jean	06/30/2025
<b>US-1</b>	Substantially complete two electric undergrounding projects	Chad	12/31/2025
<b>US-2</b>	Water treatment plan (WTP) renovation project is scoped, engineered, bids received, and contractor selected	Steve	09/30/2025
<b>US-4, EC-2</b>	Enhance public outage reporting and optimize customer account access, then publicly promoted	Mike, Jean, Chad	09/30/2025
<b>US-3, NE-1</b>	100% televised wastewater collection (WWC) system	Steve	09/30/2025

<sup>1</sup> Note: when a goal pertains to more than one strategic pillar, it is shown under all pillars for ease in tracking and clarity around the operational activities related to each area.



## **Strategic and Sustainable Fiscal Management (FM)**

GRPU aims to be proactive with its resources, recognizing that all decisions are made on behalf of past and future ratepayers. GRPU’s Strategic Plan sets the following goals for the next five years related to ensuring strategic and sustainable fiscal management to support ongoing operations and inter-generational equity.

1. GRPU will develop a financial forecast model that accounts for capital expenditures as described in objective US-1 above, including inflation assumptions, target dates, key performance indicators, and decision criteria. The model will account for supply chain issues that may require placing orders years in advance of anticipated project execution.
2. GRPU will take preparatory steps to ensure debt or emergency funding can be obtained quickly should an unexpected infrastructure failure require unplanned expenditures that cannot be addressed with existing resources.
3. GRPU will explore and, when both feasible and practical, adopt an updated rate structure that accounts for the evolving use patterns resulting from electrification (e.g., transition to electric vehicles, distributed energy resources/adoption of solar by home and business owners, etc.).

To reach these strategic objectives, GRPU will work toward the following operational outcomes for the calendar year 2025:

Goal	Deliverable	Responsible	Target Date
<b>US-1, US-4, FM-1, OE-2</b>	Substantially operating ERP system (approximately 90% of modules functioning and collecting data)	Jean	06/30/2025
<b>FM-1, FM-2</b>	Develop reporting metrics in the new ERP system to provide timely and actionable financial insights for decision-making	Jean, Julie	12/31/2025
<b>FM-1, FM-2</b>	Final adoption of operating reserve policy (includes emergency funding)	Jean	06/30/2025
<b>FM-3</b>	Complete cost-of-service rate studies for electric, water, and wastewater utilities	Jean	09/30/2025
<b>OE-1, FM-1</b>	Focus on tracking and reporting in project management software to improve efficiencies	Julie	12/31/2025

## **Engaging and Educating the Community (EC)**

GRPU will strive to operate in a manner where communication is perceived to be relevant, effective, frequent, and respectful. To that end, GRPU’s Strategic Plan sets the following goals for the next five years related to engaging and educating the community in matters related to utility services.

1. GRPU will develop and execute a comprehensive community education plan for adults and children to increase community knowledge of GRPU utility services, provide tactics ratepayers can employ to influence usage and costs, and teach interested parties about environmental impact. GRPU will develop and execute a robust community communication plan for the purpose of informing stakeholders about GRPU’s activities, explaining the impact of GRPU initiatives such as the battery plus storage installation, inviting their involvement in important GRPU initiatives, and fostering an increase in the perceived value of hometown utility services vis- à-vis the alternatives.
  
2. Supported by the work in objectives EC-1 and EC-2, GRPU will work with city and county stakeholders to position the features and benefits of GRPU’s services as an important value- add for those seeking a new residential or commercial home.

To reach these strategic objectives, GRPU will work toward the following operational outcomes for calendar year 2025:

Goal	Deliverable	Responsible	Target Date
<b>EC-1</b>	Continue the monthly customer campaign plan (incl. fact sheets and legal notices)	Paula, Meg, Jean, Julie	12/31/25
<b>EC-2</b>	Publish annual report summarizing projects and financial results	Julie, Jean, Meg	06/30/2025
<b>EC-1, EC-2, EC-3</b>	Plan and carry out website content updates	Megan, Julie	Ongoing, w/ qrtly updates
<b>EC-2, US-4</b>	Enhance public outage reporting and optimize customer account access, then publicly promoted	Mike, Jean, Chad	09/30/2025
<b>EC-1, EC-2, NE-3</b>	Present at the 2025 home show and host 1 open house to educate the community on rebates and utility programs	Chad, Steve, Paula, Julie	06/30/2025
<b>EC-3, OE-2</b>	Hold two joint council and commission meetings to align City of GR and GRPU on collaborative opportunities	Julie	April 2025 October 2025

## ***Use and Stewardship of the Natural Environment (NE)***

Our natural environment is one of the reasons people choose to live and work in Grand Rapids. It is a public good, and GRPU recognizes the important role the utility plays in ensuring these resources are unharmed. GRPU’s Strategic Plan sets the following goals for the next five years for ensuring responsible use and stewardship of natural resources.

1. GRPU will operate in a manner that is 100% compliant with all environmental regulations.
2. GRPU will develop and promote programs that demonstrate the sustainability of the utility’s operations.
3. GRPU’s employees will have the resources and training necessary to demonstrate to the community that we are protecting the environment while conducting our operations.

To reach these strategic objectives, GRPU will work toward the following operational outcomes for calendar year 2025:

Goal	Deliverable	Responsible	Target Date
<b>NE-3</b>	Relocate the septic hauler station from old to new WWTP	Steve	12/31/2025
<b>US-3, NE-1</b>	100% televised WWC system	Steve	09/30/2025
<b>EC-1, EC-2, NE-3</b>	Present at the 2025 home show and host 1 open house to educate the community on rebates and utility programs	Chad, Steve, Paula, Julie	06/30/2025
<b>NE-2, US-5</b>	WWTP landfill cover reconstruction is substantially complete and new sludge demand agreements are in place	Steve, Jean, Julie	12/31/2025

## **Operational Excellence (OE)**

Behind the scenes, people, activities, and systems support the more visible work of running an effective utility. We recognize the important role these things play in our success, and our intent is to strengthen them as we work toward our larger objectives. GRPU’s Strategic Plan sets the following goals for the next five years with the aim of ensuring operational excellence and workforce development.

1. GRPU will create a workplace environment that fosters employee satisfaction, engagement, and well-being, leading to increased productivity, reduced turnover, and enhanced overall organizational performance by:
  - a. Enhancing workplace culture through clear communication, tracking, and reporting structures using tools and manners that resonate with team members.
  - b. Investing in employee growth through a robust training and development program that provides opportunities for continuous improvement, learning and upskilling through both internal and external resources.
  - c. Prioritizing work-life balance with flexible work arrangements to the extent that is feasible, encouraging employees to take regular breaks and vacations, and fostering a culture that respects employees’ time outside of work.
  - d. Recognizing and rewarding excellence through regular feedback, competitive compensation and benefits, and appropriate public recognition to attract and retain the talented individuals who will help us achieve our vision while treating our customers with skill and respect.
  - e. Fostering a collaborative environment both within GRPU and in our work with other stakeholders (e.g., City of Grand Rapids, Minnesota Power, etc.) by promoting teamwork, cross-functional projects, and knowledge sharing; facilitating team- building activities and events to strengthen relationships and trust among team members; and providing tools and technology that enhance communication.
  
2. GRPU will collaborate with the City of Grand Rapids to select and implement new enterprise resource planning (ERP) software to lower operational costs, improve decision-making at all levels with more accurate and timely data, and promote proactive planning, funding, and accomplishment of capital improvement projects throughout the community.

To reach these strategic objectives, GRPU will work toward the following operational outcomes for calendar year 2025:

Goal	Deliverable	Responsible	Target Date
<b>OE-1, FM-1</b>	Tracking/reporting in project management software to improve efficiencies	Julie	12/31/2025
<b>OE-1</b>	Quarterly all employee meetings to improve clear communication process and lead to improved NPS per annual survey	Julie, Meg	12/31/2025

OE-1	Implement employee resource portal in new ERP software and Laserfiche	Jean, Julie, Meg	06/30/2025
US-1, US-4, FM-1, OE-2	Substantially operating ERP system (approximately 90% of modules functioning and collecting data)	Jean	06/30/2025
OE-1	Succession planning for business services manager transition	Julie, Jean	12/31/2025
OE-1	Implement comprehensive employee training and development program	Meg, Julie	12/31/2025
OE-1	Implement employee success sharing program	Julie, Meg	01/31/2025
OE-1	Finalize electronic document retention conversion	Meg, Julie	12/31/2025

## COMMUNICATION, REPORTING, AND ACCOUNTABILITY

### Communication Plan

Inherent in the success of this operating plan is accurate and timely communication of information between the relevant stakeholders.

### ***Reporting***

The general manager will report on the status of each approved goal and deliverable in a document prepared for the GRPUC Commission meeting immediately following the conclusion of each quarter (April, July, and October, and January of the following year). Items requiring Commission action will be placed on the agenda.

### ***Staff Accountability***

A success sharing structure will be implemented in 2025 that incentivizes high performance and accountability from the staff to achieve the objectives in this plan. Each member of the staff will have individual performance plans listing key performance indicators (KPIs) that are tied to a plan rewarding both team performance and organizational attainment of the operational goals.

### ***Commission Accountability***

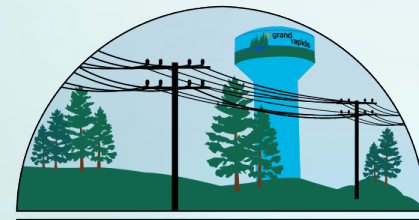
It is important to recognize that some of the goals and objectives in this plan will require assistance from GRPUC members, city staff, and others. The general manager and the GRPUC president will need to work closely with city staff and others to ensure goals are met. When goals are met, GRPU advances its mission and ratepayers are well served. That is the definition of success.



# Grand Rapids Public Utilities

November 27, 2024 Commission Work Session

2025 Preliminary Budget Presentation



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# 2025 Preliminary Budget Presentation

Item 1.

## Agenda

2023-2028 Strategic Planning Process

2025 Draft Annual Operating Plan

2024 EOY Forecast

2025 Preliminary Operations Budgets

2025 Customer Rates

Next Steps / Discussion / Questions



# 2023-2028 Strategic and Operational Planning Process

Annual Planning Process – proposed changes for next year in red

## August

~~September:~~ GRPUC reviews the SWOT, strategic and operational progress and updates strategic plan

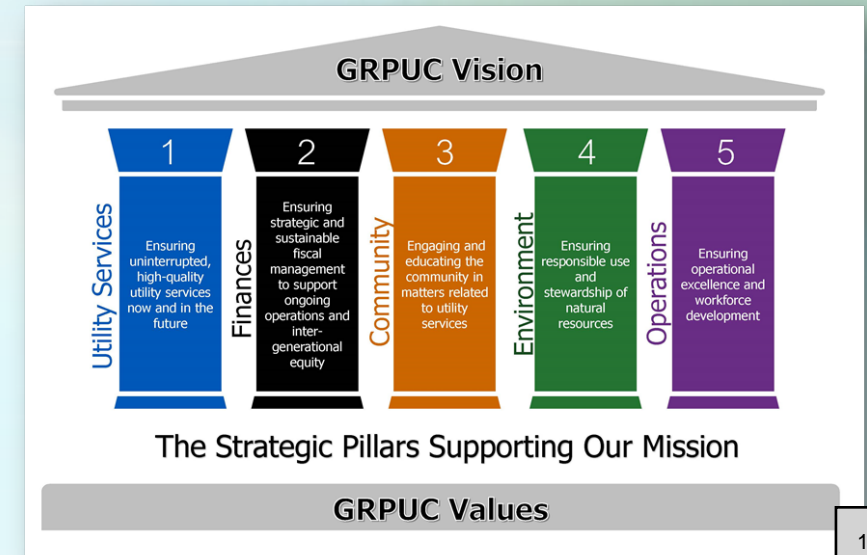
## September

~~October:~~ GM and staff create and present annual operating plan including SMART goals based on the priorities and strategic intent of the GRPUC

October: GM and staff develop the budgets based on annual operating plan

November: GRPUC's Audit and Finance Committee reviews preliminary budget and provides feedback prior to presenting at Commission Work Session  
*(establish in March 2025)*

December: Changes made from Work Session input and final operating plan and supporting budgets presented for approval at Commission Meeting



# 2025 Preliminary Budget Presentation

Item 1.

## Agenda

2023-2028 Strategic Planning Process

**2025 Draft Annual Operating Plan**

2024 EOY Forecast

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# 2025 Draft Annual Operating Plan

Item 1.

## Several items carried over from 2024

- ERP implementation
- WTP renovation project
- WWC system televising/jetting
- Landfill cover reconstruction
- Financial reporting and policies
- Published annual report
- Business Services Manager succession planning

## New items for 2025

- Cost-of-service rate studies
- Electric system undergrounding projects
- Septic hauler station relocation
- Project management tracking/reporting
- Finalize electronic document retention conversion



# 2025 Preliminary Budget Presentation

Item 1.

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2023-2028 Strategic Planning Process

2025 Draft Annual Operating Plan

### **2024 EOY Forecast**

2025 Preliminary Operations Budgets

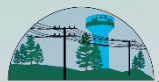
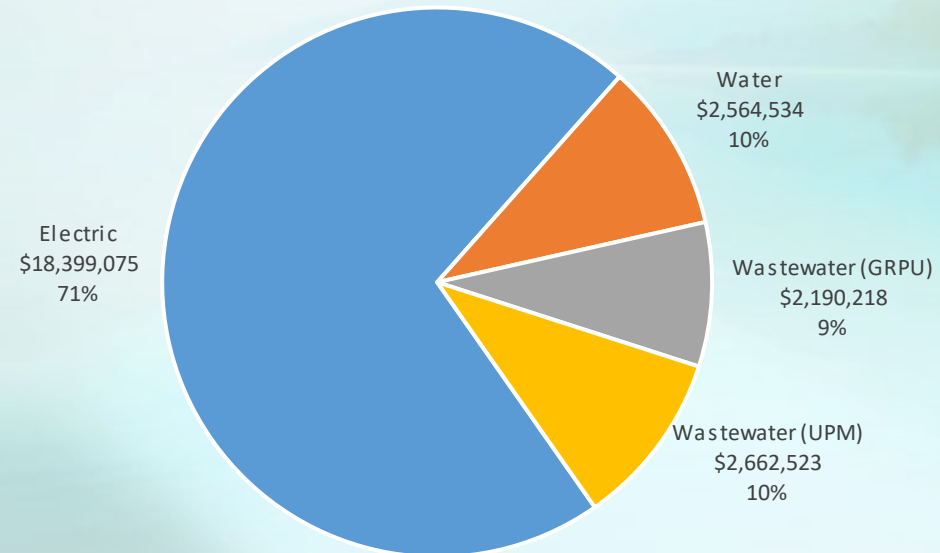
2025 Customer Rates

Next Steps / Discussion / Questions

# 2024 End Of Year Forecast

	Electric	Water	Wastewater (GRPU)	Wastewater (UPM)
Revenue	\$18,399,075	\$2,564,534	\$2,190,218	\$2,662,523
Expenses	\$17,547,725	\$2,914,223	\$1,883,010	\$4,282,523
Net Income	\$851,350	-\$349,689	\$307,208	-\$1,620,000
Depreciation (+)	\$926,828	\$330,097	\$216,103	\$1,620,000
Bond payments (-)	\$135,800	\$94,100	\$185,788	\$1,552,312
Demand payments (+)				\$1,552,312
Net Operating Cashflow	\$1,642,378	-\$113,692	\$337,523	\$0

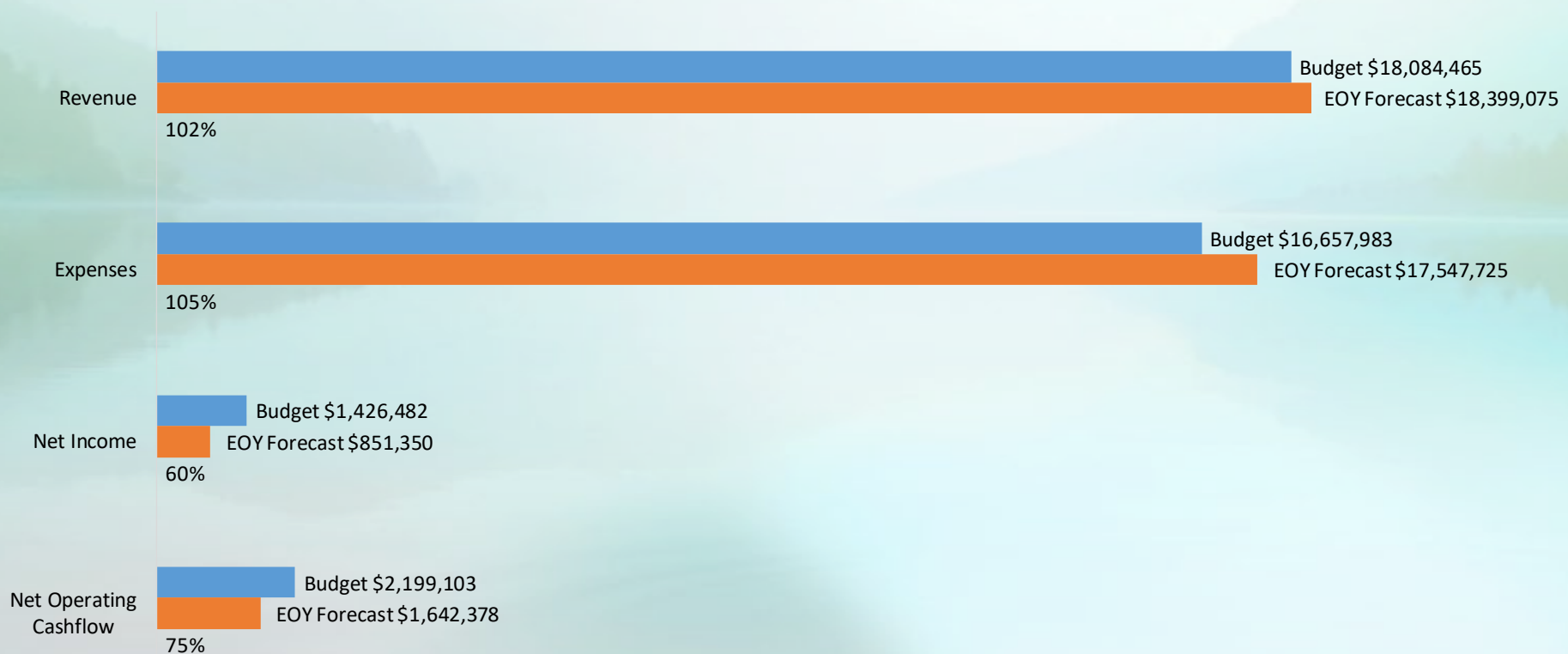
2024 EOY Forecasted Revenue



# 2024 End Of Year Forecast - Electric

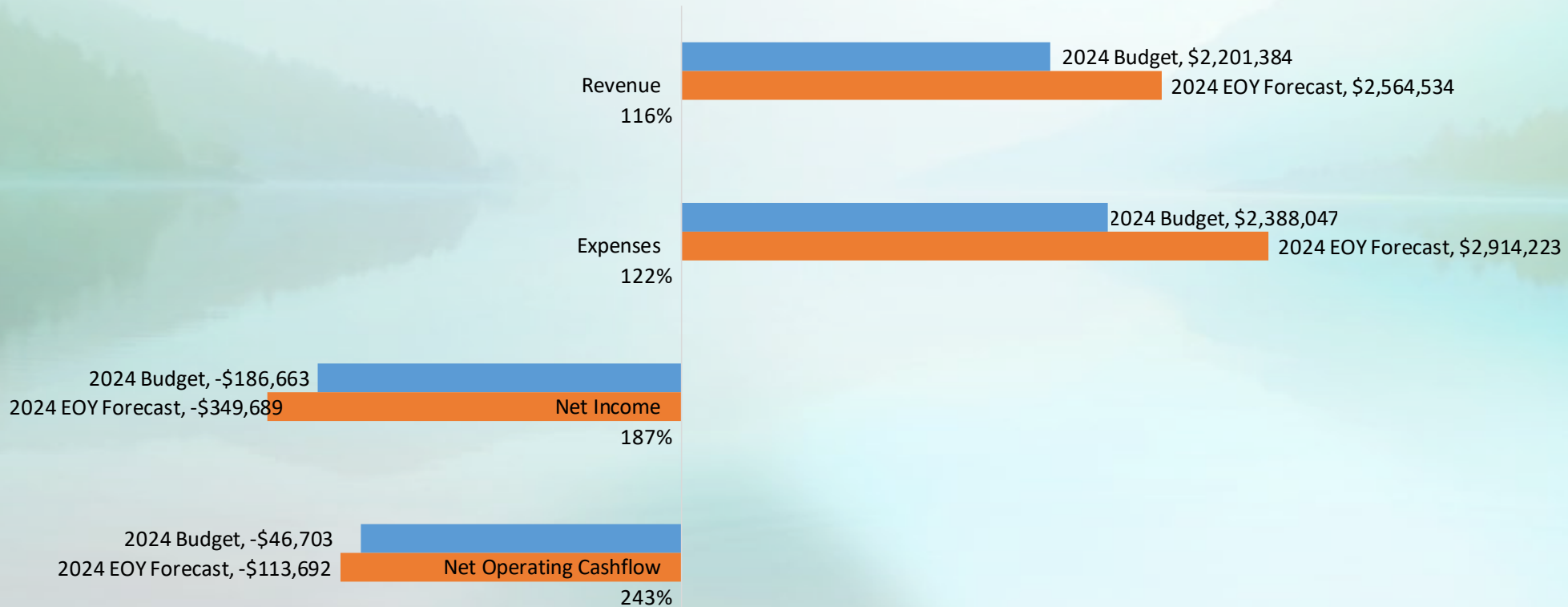
Item 1.

<u>Electric</u>	Budget	EOY Forecast	Difference	Actual to Budget
Revenue	\$18,084,465	\$18,399,075	\$314,610	102%
Expenses	\$16,657,983	\$17,547,725	\$889,742	105%
Net Income	\$1,426,482	\$851,350	-\$575,132	60%
Depreciation (+)	\$908,421	\$926,828	\$18,407	102%
Bond payments (-)	\$135,800	\$135,800		100%
Demand payments (+)				
Net Operating Cashflow	\$2,199,103	\$1,642,378	-\$556,725	75%



# 2024 End Of Year Forecast - Water

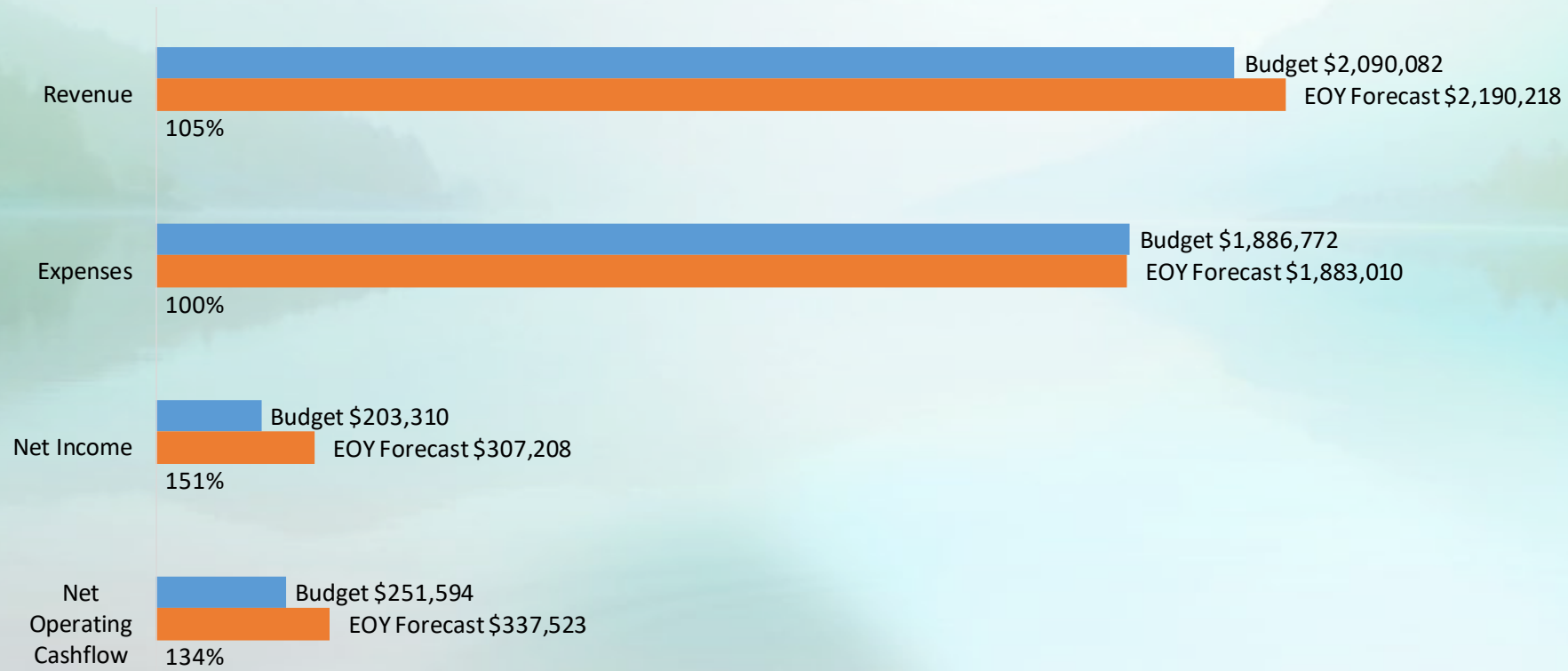
<u>Water</u>	2024 Budget	2024 EOY Forecast	Difference	Actual to Budget
Revenue	\$2,201,384	\$2,564,534	\$363,150	116%
Expenses	\$2,388,047	\$2,914,223	\$526,176	122%
Net Income	-\$186,663	-\$349,689	-\$163,026	187%
Depreciation (+)	\$234,060	\$330,097	\$96,037	141%
Bond payments (-)	\$94,100	\$94,100		100%
Demand payments (+)				
Net Operating Cashflow	-\$46,703	-\$113,692	-\$66,989	243%



# 2024 End Of Year Forecast – Wastewater (GRPU)

Item 1.

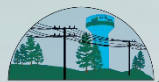
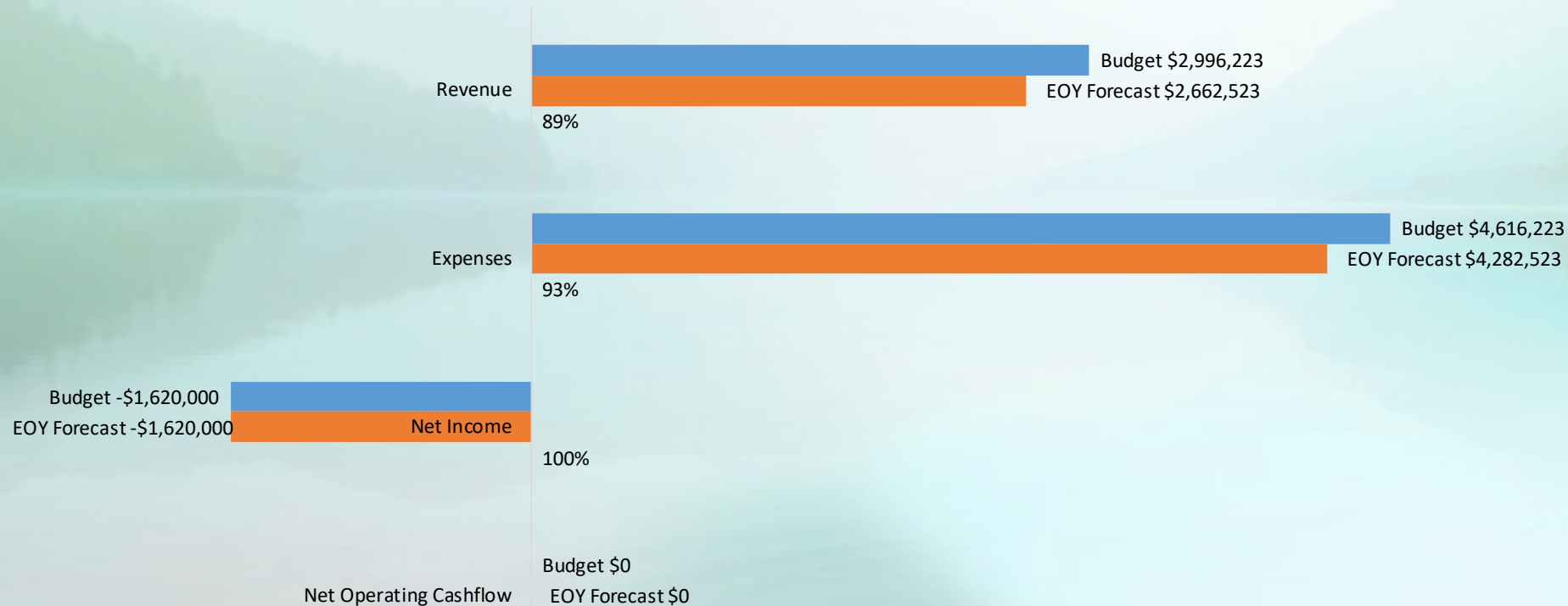
<u>Wastewater (GRPU)</u>	Budget	EOY Forecast	Difference	Actual to Budget
Revenue	\$2,090,082	\$2,190,218	\$100,136	105%
Expenses	\$1,886,772	\$1,883,010	-\$3,762	100%
Net Income	\$203,310	\$307,208	\$103,898	151%
Depreciation (+)	\$234,072	\$216,103	-\$17,969	92%
Bond payments (-)	\$185,788	\$185,788		100%
Demand payments (+)				
Net Operating Cashflow	\$251,594	\$337,523	\$85,929	134%





# 2024 End Of Year Forecast – Wastewater (UPM)

<u>Wastewater (UPM)</u>	Budget	EOY Forecast	Difference	Actual to Budget
Revenue	\$2,996,223	\$2,662,523	-\$333,700	89%
Expenses	\$4,616,223	\$4,282,523	-\$333,700	93%
Net Income	-\$1,620,000	-\$1,620,000	\$0	100%
Depreciation (+)	\$1,620,000	\$1,620,000	\$0	100%
Bond payments (-)	\$1,552,312	\$1,552,312		100%
Demand payments (+)	\$1,552,312	\$1,552,312		
Net Operating Cashflow	\$0	\$0	\$0	



# 2025 Preliminary Budget Presentation

Item 1.

## Agenda

2023-2028 Strategic Planning Process

2025 Draft Annual Operating Plan

2024 EOY Forecast

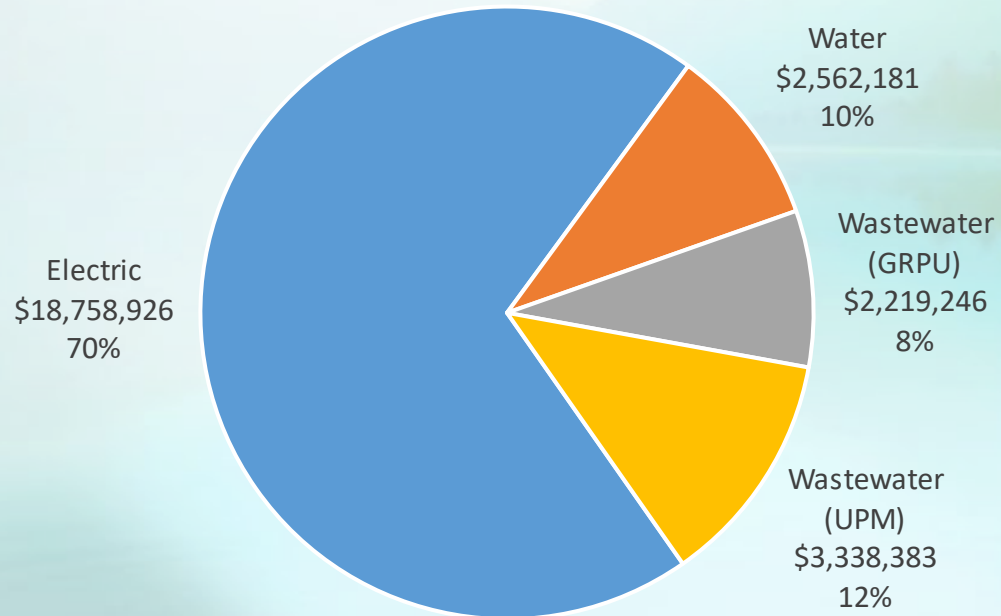
**2025 Preliminary Operations Budgets**

2025 Customer Rates

Next Steps / Discussion / Questions

# 2025 Preliminary Operations Budget Summary

	Electric	Water	Wastewater (GRPU)	Wastewater (UPM)
Revenue	\$18,758,926	\$2,562,181	\$2,219,246	\$3,338,383
Expenses	\$17,907,844	\$3,061,612	\$1,999,002	\$4,938,383
Net Income	\$851,082	-\$499,431	\$220,244	-\$1,600,000
Depreciation (+)	\$930,000	\$340,000	\$250,000	\$1,600,000
Bond payments (-)	\$136,600	\$180,050	\$268,664	\$1,591,786
Demand payments (+)				\$1,591,786
Net Operating Cashflow	\$1,644,482	-\$339,481	\$201,580	\$0



# 2025 Preliminary Operations Budget Summary

Electric	2025 Preliminary	2024 Budget	Diff from '24 Budget	2024 EOY Forecast	Diff from '24 EOY
Revenue	\$18,758,926	\$18,084,465	3.7%	\$18,399,075	2.0%
Expenses	\$17,907,844	\$16,657,983	7.5%	\$17,547,725	2.1%
Net Income	\$851,081	\$1,426,482	-40.3%	\$851,350	0.0%
Depreciation (+)	\$930,000	\$908,421	2.4%	\$926,828	
Bond payments (-)	\$136,600	\$135,800	0.6%	\$135,800	
Demand payments (+)	\$0	\$0		\$0	
Net Operating Cashflow	\$1,644,481	\$2,199,103	-25.2%	\$1,642,378	0.1%

Water	2025 Preliminary	2024 Budget	Diff from '24 Budget	2024 EOY Forecast	Diff from '24 EOY
Revenue	\$2,562,181	\$2,201,384	16.4%	\$2,564,534	-0.1%
Expenses	\$3,061,612	\$2,388,047	28.2%	\$2,914,223	5.1%
Net Income	-\$499,431	-\$186,663	167.6%	-\$349,689	42.8%
Depreciation (+)	\$340,000	\$234,060	45.3%	\$330,097	
Bond payments (-)	\$180,050	\$94,100	91.3%	\$94,100	
Demand payments (+)	\$0	\$0		\$0	
Net Operating Cashflow	-\$339,481	-\$46,703	626.9%	-\$113,692	198.6%

Wastewater (GRPU)	2025 Preliminary	2024 Budget	Diff from '24 Budget	2024 EOY Forecast	Diff from '24 EOY
Revenue	\$2,219,246	\$2,090,082	6.2%	\$2,190,218	1.3%
Expenses	\$1,999,002	\$1,886,772	5.9%	\$1,883,010	6.2%
Net Income	\$220,244	\$203,310	8.3%	\$307,208	-28.3%
Depreciation (+)	\$250,000	\$234,072	6.8%	\$216,103	
Bond payments (-)	\$268,664	\$185,788	44.6%	\$185,788	
Demand payments (+)	\$0	\$0		\$0	
Net Operating Cashflow	\$201,580	\$251,594	-19.9%	\$337,523	-40.3%

Wastewater (UPM)	2025 Preliminary	2024 Budget	Diff from '24 Budget	2024 EOY Forecast	Diff from '24 EOY
Revenue	\$3,338,383	\$2,996,223	11.4%	\$2,662,523	25.4%
Expenses	\$4,938,383	\$4,616,223	7.0%	\$4,282,523	15.3%
Net Income	-\$1,600,000	-\$1,620,000	-1.2%	-\$1,620,000	-1.2%
Depreciation (+)	\$1,600,000	\$1,620,000	-1.2%	\$1,620,000	
Bond payments (-)	\$1,591,786	\$1,552,312	2.5%	\$1,552,312	
Demand payments (+)	\$1,591,786	\$1,552,312		\$1,552,312	
Net Operating Cashflow	\$0	\$0		\$0	



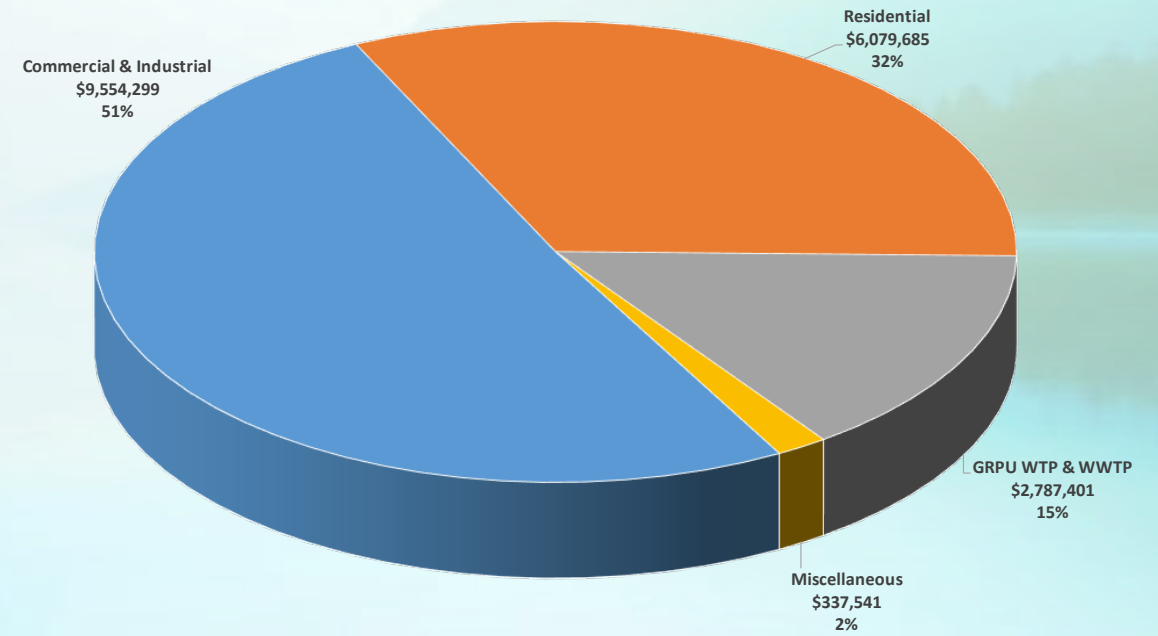
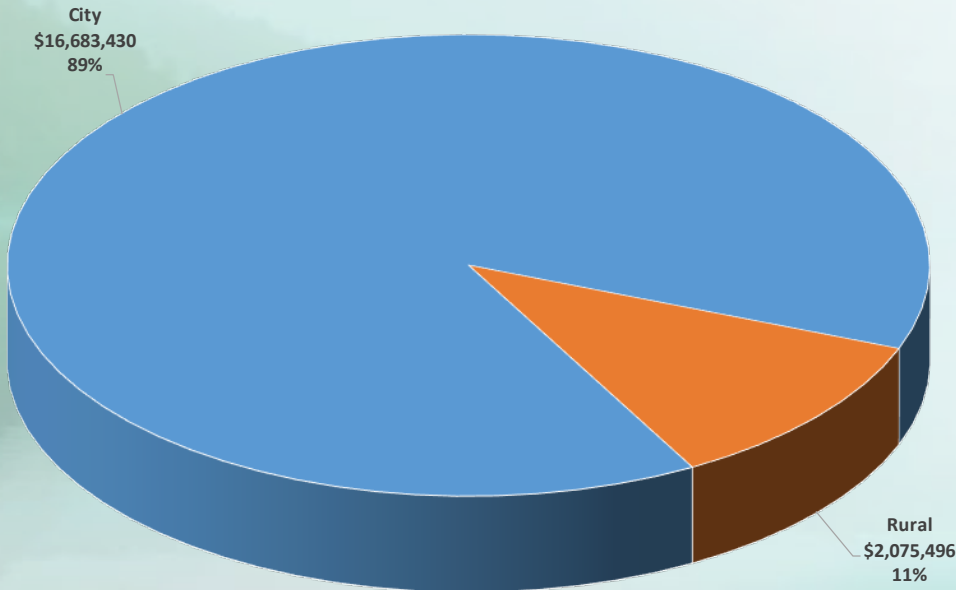
# 2025 Preliminary Electric Utility Budget – Revenues

## Revenue - Customer Location Breakdown

City	\$16,683,430
Rural	\$2,075,496
	<u>\$18,758,926</u>

## Revenue - Customer Classification Breakdown

Commercial & Industrial	\$9,554,299
Residential	\$6,079,685
GRPU WTP & WWTP	\$2,787,401
Miscellaneous	\$337,541
	<u>\$18,758,926</u>



# 2025 Preliminary Electric Utility Budget – Expenses

Item 1.

## Revenue

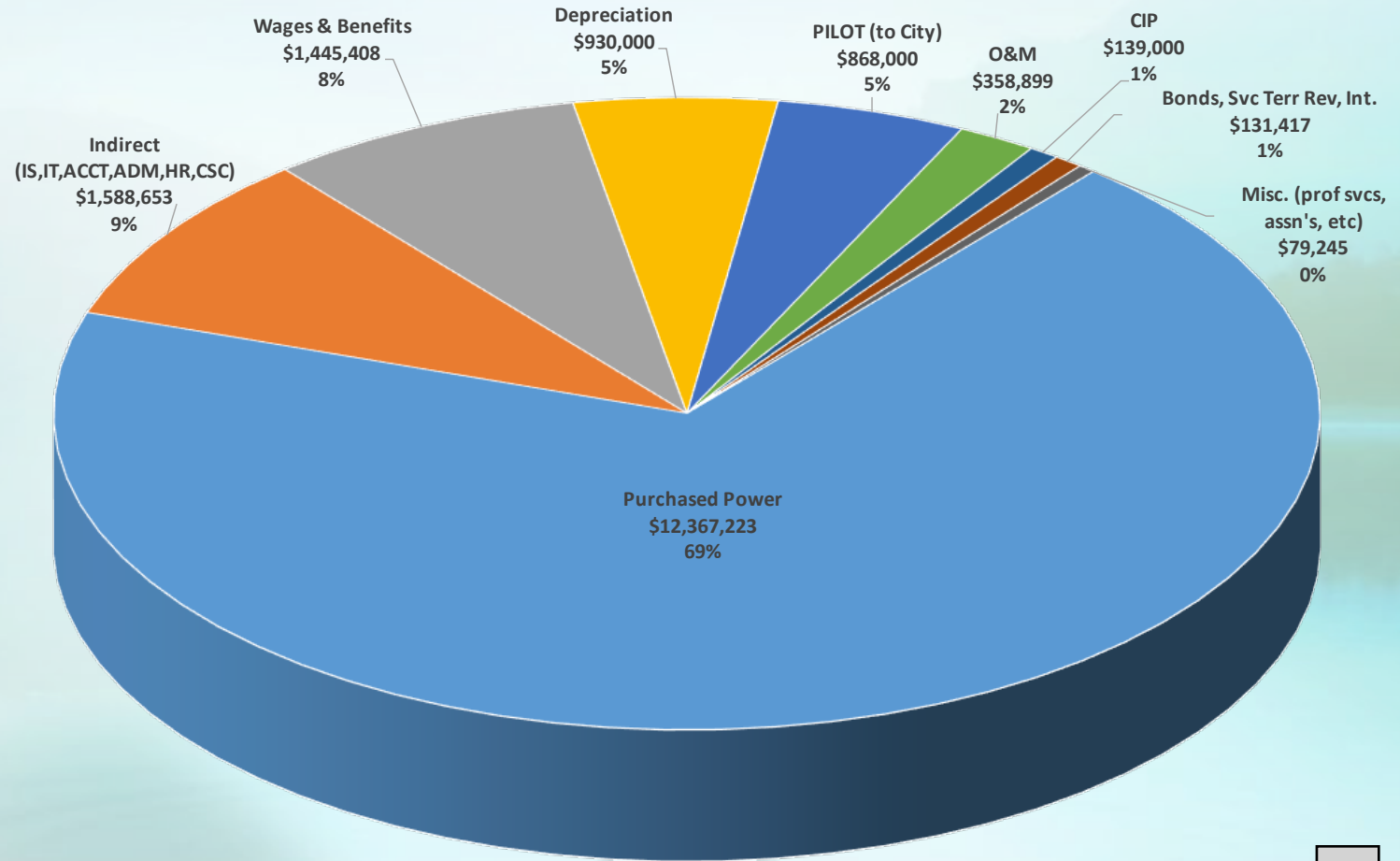
Total \$18,758,926

## Expenses - Category Breakdown

Purchased Power	\$12,367,223
Indirect (IS,IT,ACCT,ADM,HR,CSC)	\$1,588,653
Wages & Benefits	\$1,445,408
Depreciation	\$930,000
PILOT (to City)	\$868,000
O&M	\$358,899
CIP	\$139,000
Bonds, Svc Terr Rev, Int.	\$131,417
Misc. (prof svcs, assn's, etc)	\$79,245
	<u>\$17,907,844</u>

## Net Income

\$851,081



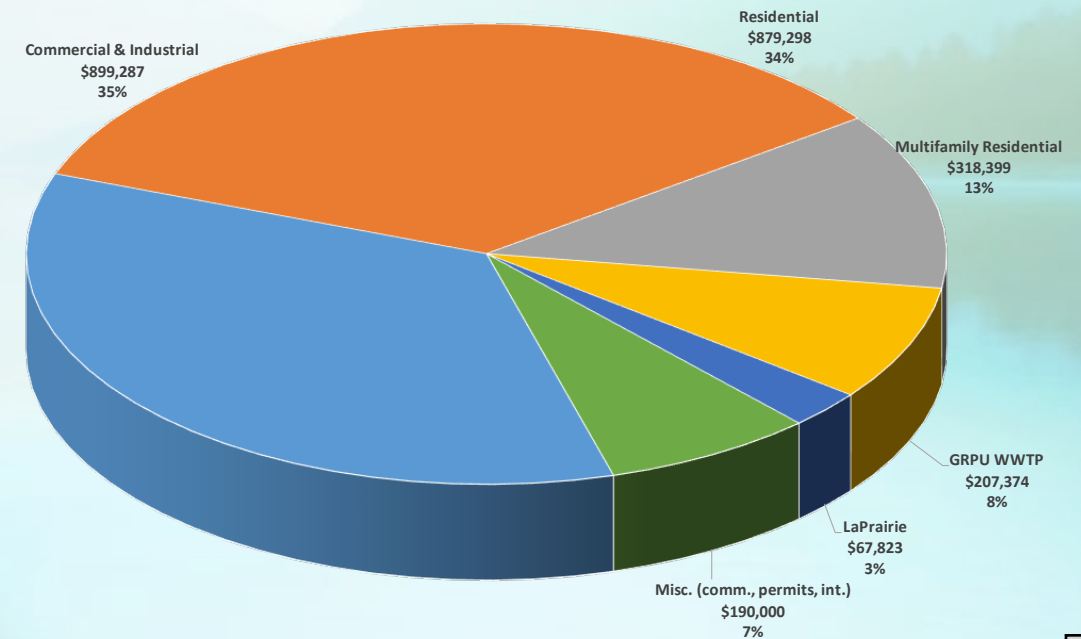
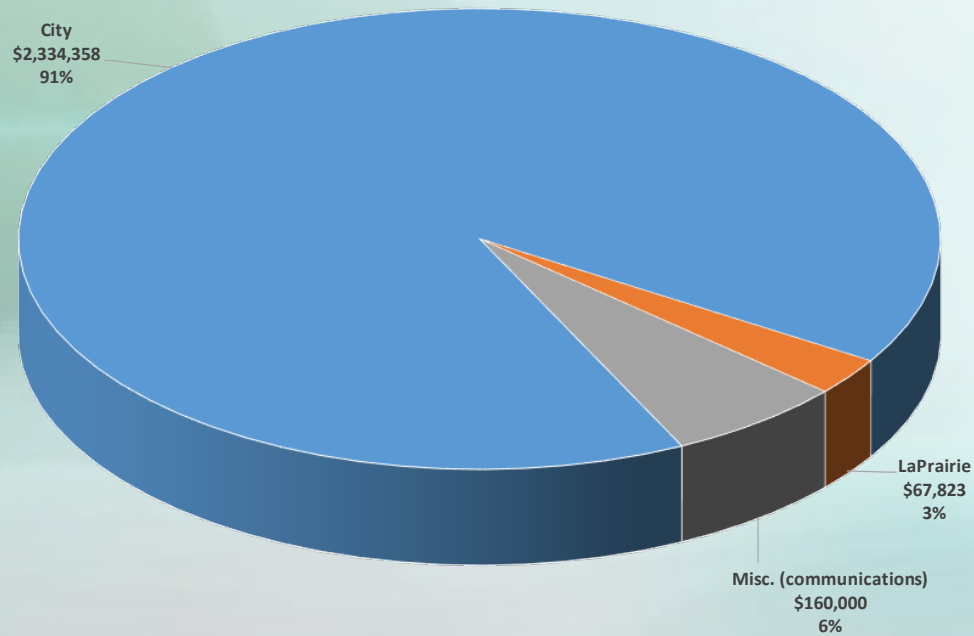
# 2025 Preliminary Water Utility Budget – Revenues

## Revenue - Customer Location Breakdown

City	\$2,334,358
LaPrairie	\$67,823
Misc. (communications)	\$160,000
	<u>\$2,562,181</u>

## Revenue - Customer Classification Breakdown

Commercial & Industrial	\$899,287
Residential	\$879,298
Multifamily Residential	\$318,399
GRPU WWTP	\$207,374
LaPrairie	\$67,823
Misc. (comm., permits, int.)	\$190,000
	<u>\$2,562,181</u>



# 2025 Preliminary Water Utility Budget – Expenses

## Revenue

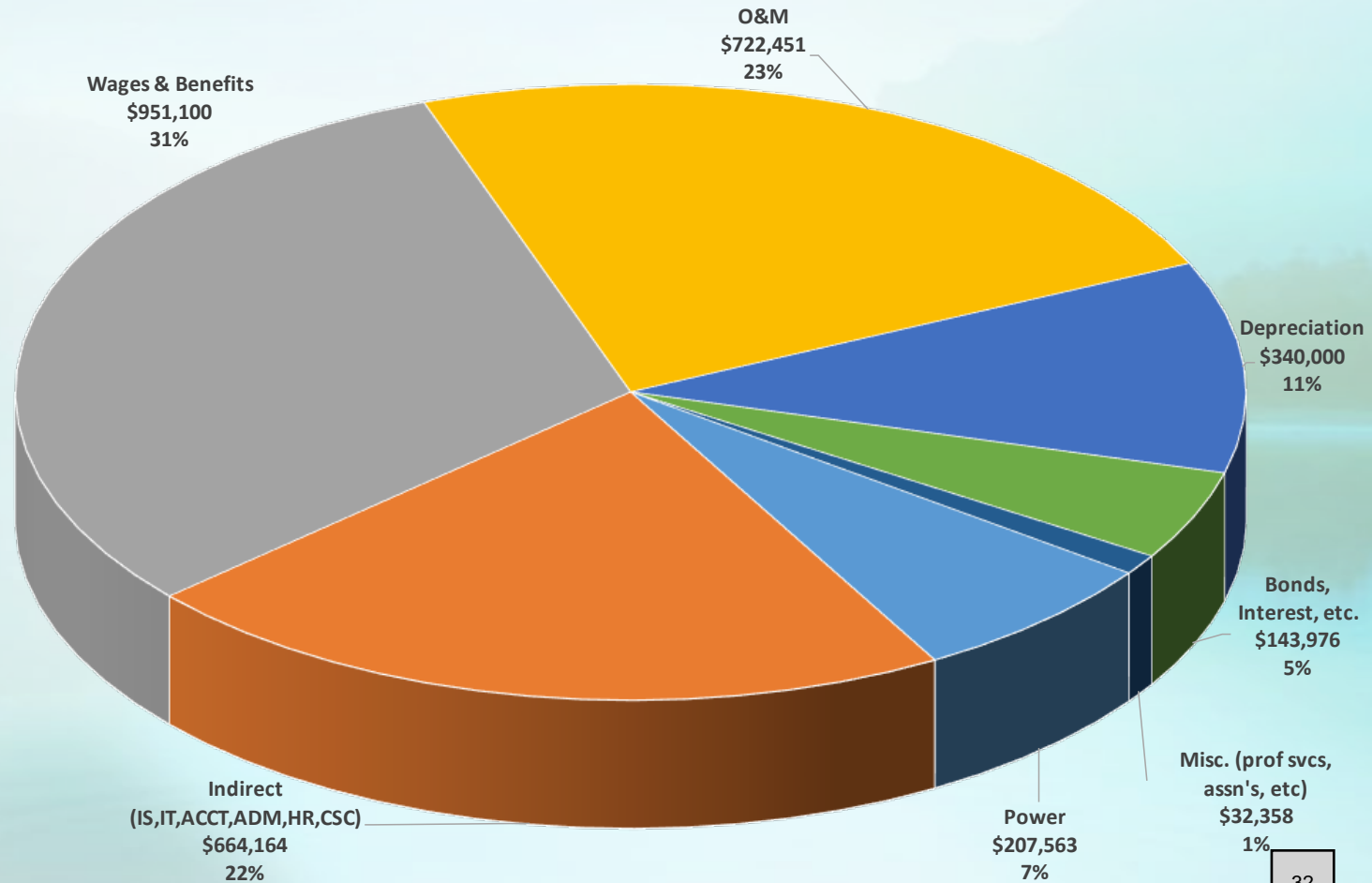
Total \$2,562,181

## Expenses - Category Breakdown

Power	\$207,563
Indirect (IS,IT,ACCT,ADM,HR,CSC)	\$664,164
Wages & Benefits	\$951,100
O&M	\$722,451
Depreciation	\$340,000
Bonds, Interest, etc.	\$143,976
Misc. (prof svcs, assn's, etc)	\$32,358
	<hr/>
	\$3,061,612

## Net Income

-\$499,431





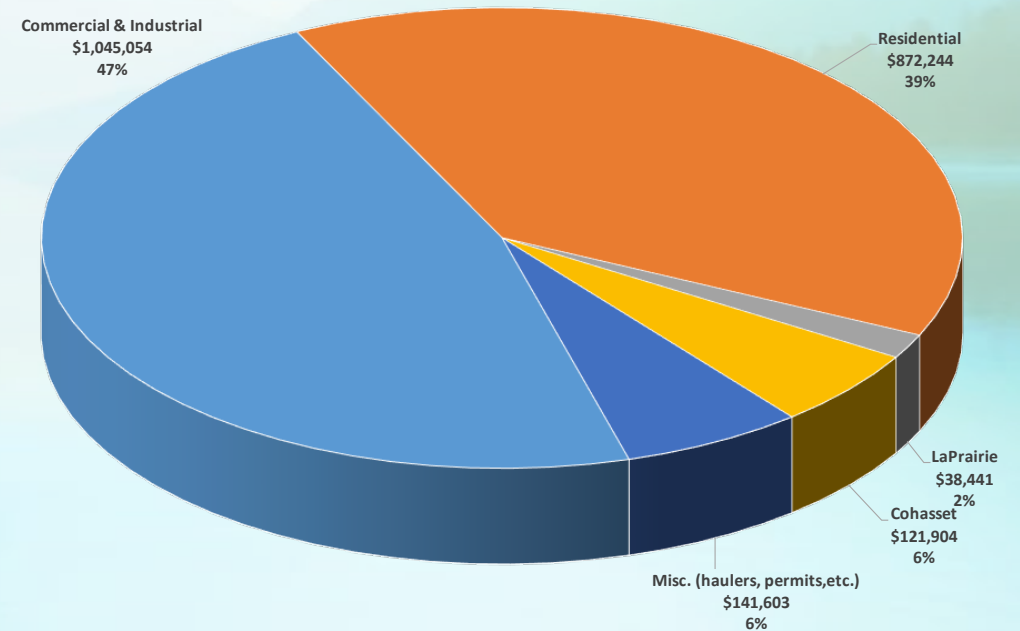
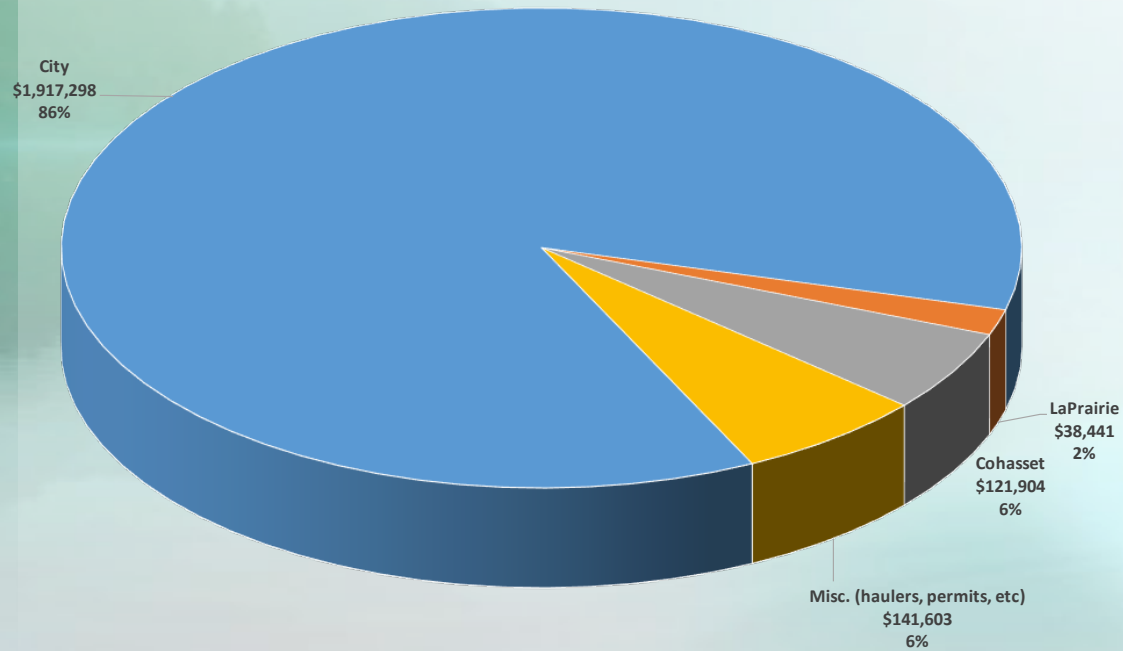
# 2025 Preliminary Wastewater (GRPU) Utility Budget – Revenue Item 1.

## Revenue - Customer Location Breakdown

City	\$1,917,298
LaPrairie	\$38,441
Cohasset	\$121,904
Misc. (haulers, permits, etc)	\$141,603
	\$2,219,246

## Revenue - Customer Classification Breakdown

Commercial & Industrial	\$1,045,054
Residential	\$872,244
LaPrairie	\$38,441
Cohasset	\$121,904
Misc. (haulers, permits, etc.)	\$141,603
	\$2,219,246



# 2025 Preliminary Wastewater (GRPU) Utility Budget – Expenses Item 1.

## Revenue

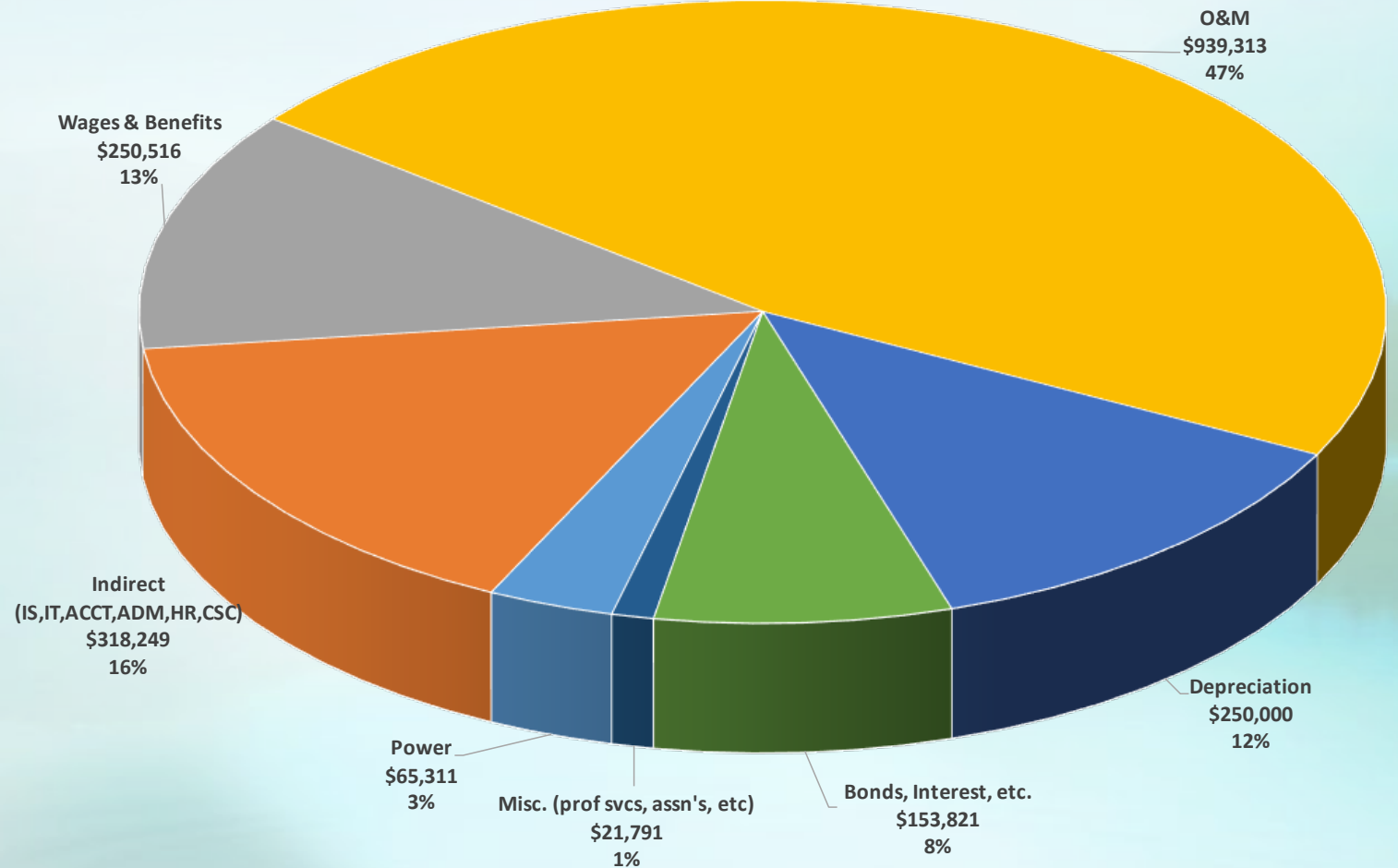
Total	\$2,219,246
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## Expenses - Category Breakdown

Power	\$65,311
Indirect (IS,IT,ACCT,ADM,HR,CSC)	\$318,249
Wages & Benefits	\$250,516
O&M	\$939,313
Depreciation	\$250,000
Bonds, Interest, etc.	\$153,821
Misc. (prof svcs, assn's, etc)	\$21,791
	\$1,999,002

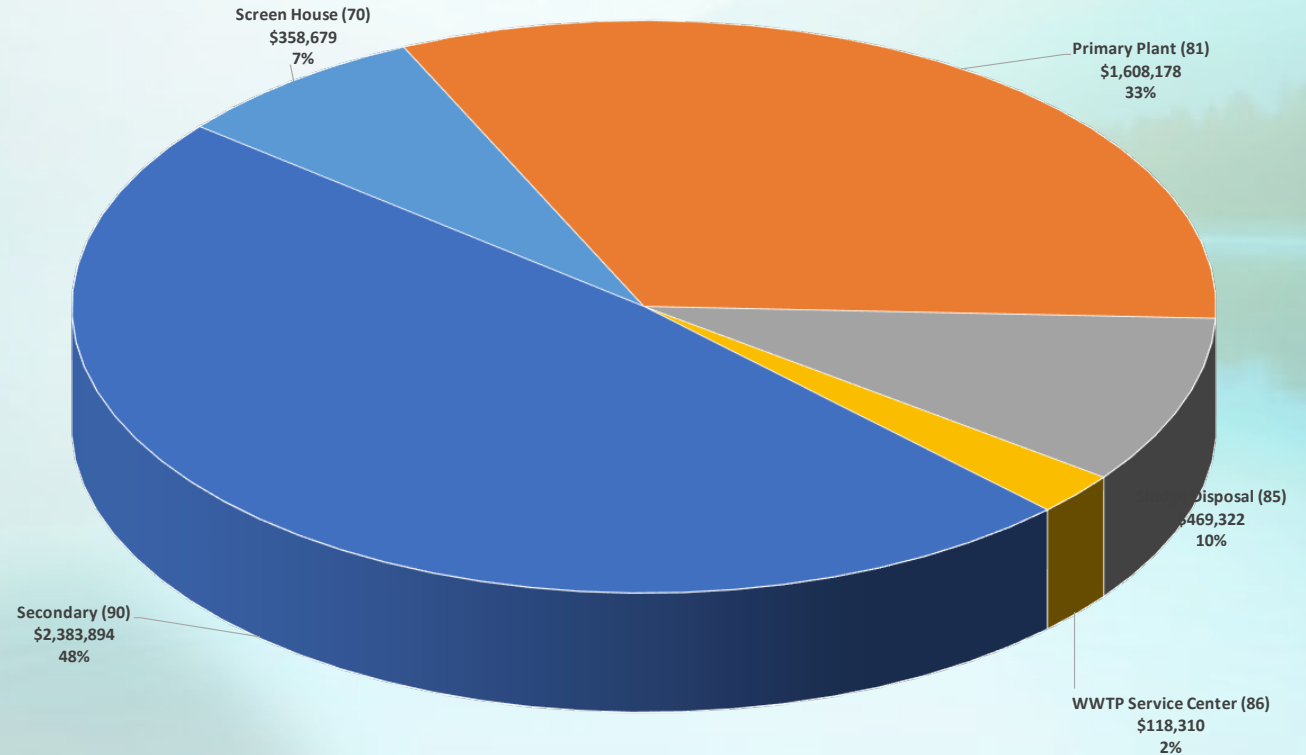
## Net Income

	\$220,244
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# 2025 Preliminary Wastewater (UPM) Utility Budget – Expense Item 1.

Expenses - Process Location Breakdown	(Responsibility)	
	GRPU	UPM
Screen House (70)	\$0	\$358,679
Primary Plant (81)	\$0	\$1,608,178
Sludge Disposal (85)	\$44,494	\$424,828
WWTP Service Center (86)	\$14,789	\$103,521
Secondary (90)	\$715,168	\$1,668,726
	<b>\$774,451</b>	<b>\$4,163,932</b>



# 2025 Preliminary Operations Budget Summary

Electric	2025 Preliminary	2024 Budget	Diff from '24 Budget	2024 EOY Forecast	Diff from '24 EOY
Revenue	\$18,758,926	\$18,084,465	3.7%	\$18,399,075	2.0%
Expenses	\$17,907,844	\$16,657,983	7.5%	\$17,547,725	2.1%
Net Income	\$851,081	\$1,426,482	-40.3%	\$851,350	0.0%
Depreciation (+)	\$930,000	\$908,421	2.4%	\$926,828	
Bond payments (-)	\$136,600	\$135,800	0.6%	\$135,800	
Demand payments (+)	\$0	\$0		\$0	
Net Operating Cashflow	\$1,644,481	\$2,199,103	-25.2%	\$1,642,378	0.1%

Water	2025 Preliminary	2024 Budget	Diff from '24 Budget	2024 EOY Forecast	Diff from '24 EOY
Revenue	\$2,562,181	\$2,201,384	16.4%	\$2,564,534	-0.1%
Expenses	\$3,061,612	\$2,388,047	28.2%	\$2,914,223	5.1%
Net Income	-\$499,431	-\$186,663	167.6%	-\$349,689	42.8%
Depreciation (+)	\$340,000	\$234,060	45.3%	\$330,097	
Bond payments (-)	\$180,050	\$94,100	91.3%	\$94,100	
Demand payments (+)	\$0	\$0		\$0	
Net Operating Cashflow	-\$339,481	-\$46,703	626.9%	-\$113,692	198.6%

Wastewater (GRPU)	2025 Preliminary	2024 Budget	Diff from '24 Budget	2024 EOY Forecast	Diff from '24 EOY
Revenue	\$2,219,246	\$2,090,082	6.2%	\$2,190,218	1.3%
Expenses	\$1,999,002	\$1,886,772	5.9%	\$1,883,010	6.2%
Net Income	\$220,244	\$203,310	8.3%	\$307,208	-28.3%
Depreciation (+)	\$250,000	\$234,072	6.8%	\$216,103	
Bond payments (-)	\$268,664	\$185,788	44.6%	\$185,788	
Demand payments (+)	\$0	\$0		\$0	
Net Operating Cashflow	\$201,580	\$251,594	-19.9%	\$337,523	-40.3%

Wastewater (UPM)	2025 Preliminary	2024 Budget	Diff from '24 Budget	2024 EOY Forecast	Diff from '24 EOY
Revenue	\$3,338,383	\$2,996,223	11.4%	\$2,662,523	25.4%
Expenses	\$4,938,383	\$4,616,223	7.0%	\$4,282,523	15.3%
Net Income	-\$1,600,000	-\$1,620,000	-1.2%	-\$1,620,000	-1.2%
Depreciation (+)	\$1,600,000	\$1,620,000	-1.2%	\$1,620,000	
Bond payments (-)	\$1,591,786	\$1,552,312	2.5%	\$1,552,312	
Demand payments (+)	\$1,591,786	\$1,552,312		\$1,552,312	
Net Operating Cashflow	\$0	\$0		\$0	



# 2025 Preliminary Budget Presentation

Item 1.

## Agenda

2023-2028 Strategic Planning Process

2025 Draft Annual Operating Plan

2024 EOY Forecast

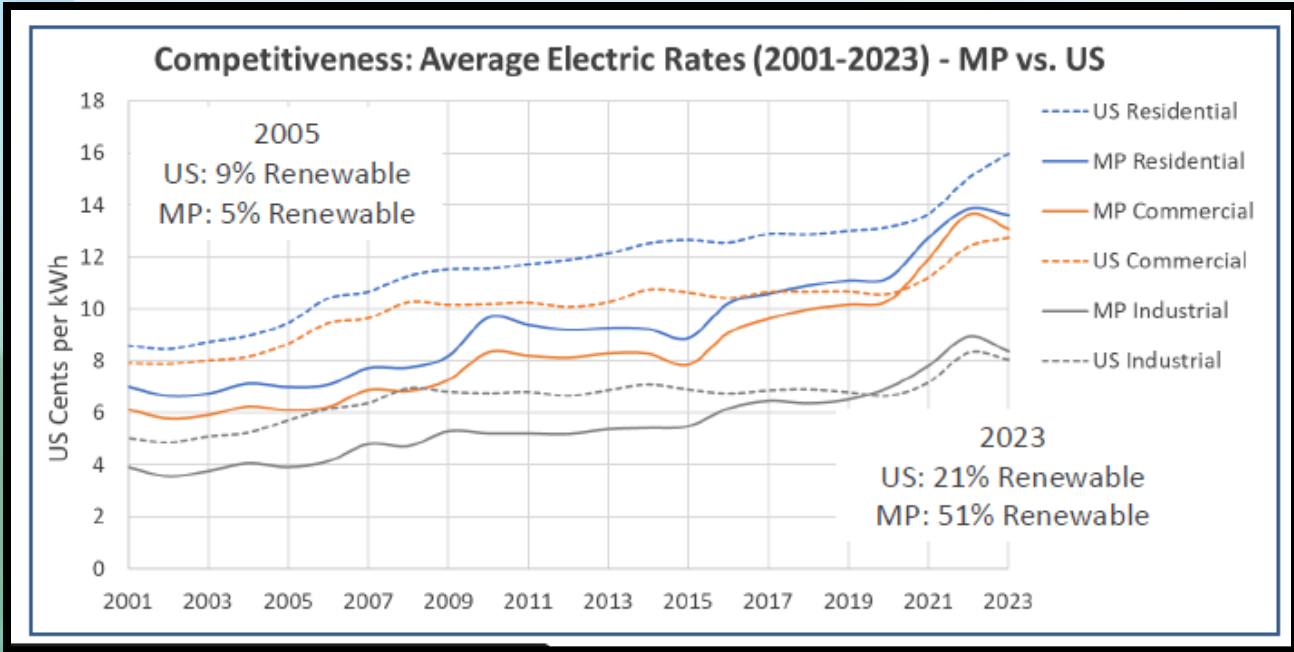
2025 Preliminary Operations Budgets

**2025 Customer Rates**

Next Steps / Discussion / Questions

# Customer Rate Comparisons – Electric

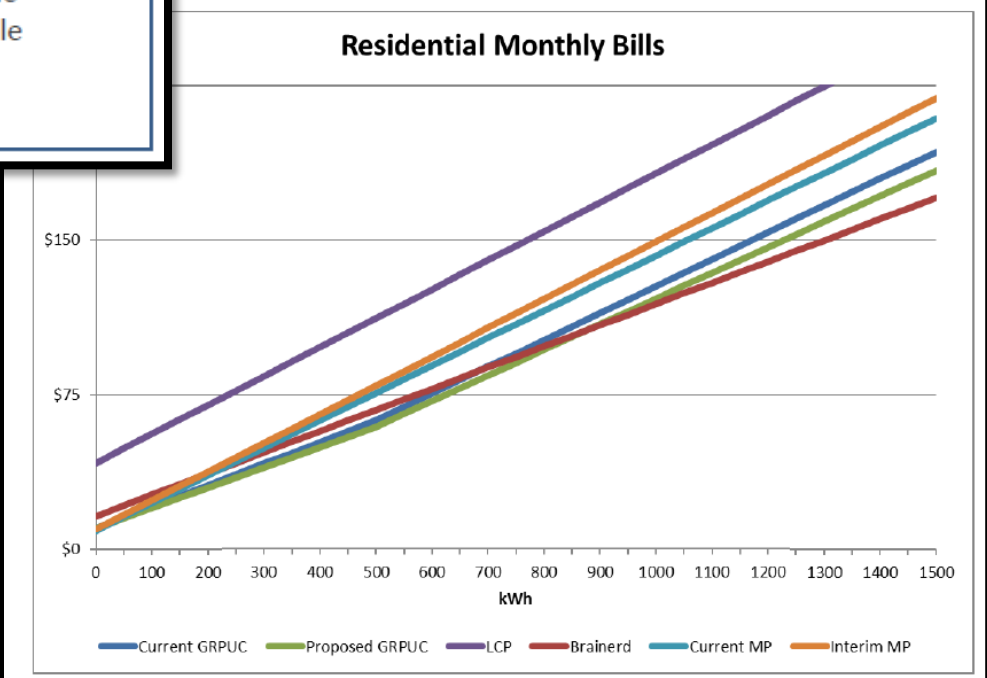
Item 1.



**Table 3-3  
Cost of Service Results  
Comparison of % Cost and Revenues  
2021 Test Year**

Customer Classification	Allocated Cost to Serve	Revenues	Increase/ (Decrease)
Residential	32.5%	34.1%	-4.8%
Commercial	17.6%	18.0%	-2.2%
Demand & Energy	36.1%	35.4%	2.0%
Industrial	9.7%	9.3%	3.8%
Load Management	3.0%	2.0%	53.3%
Lighting	1.1%	1.2%	-7.8%
Total	100.0%	100.0%	0.0%

**Figure 4-1  
Bill Comparison Graph**



# Customer Rate Comparisons – Electric

Item 1.

## 2023 cost of service study – new contract – changes in PPAC only

The new wholesale contract with MP which became effective 1/1/22 has a significant impact on the overall results. An overall increase in published base electric rates in 2023 of 1% is recommended. A redesign of the purchased power adjustment will also impact overall customer bills. Based on the new PPAC calculation, which was altered to better reflect the new wholesale contract, overall average bills for customers in 2023 will be reduced by approximately 5.4% from 2022. There are some additional small changes recommended for certain rates as detailed in Section 4 of the report, these are also made to reflect the new wholesale contract.

**Table 4-1  
PPAC Comparison  
(\$/kWh)**

Year	Present Formula	Proposed Formula
2022	0.01583	n/a
2023	n/a	0.00831
2024	n/a	0.01237
2025	n/a	0.01497
2026	n/a	0.01761
2027	n/a	0.02027

Grand Rapids Public Utilities Commission  
Existing and Proposed Rates

Exhibit 4-A

Class		Current	2023	2024	2025	2026	2027
		Rate	Proposed Rate	Proposed Rate	Proposed Rate	Proposed Rate	Proposed Rate
Electric - City Residential	ECR-10						
	Customer Charge	10.25	10.40	10.40	10.40	10.40	10.40
	Energy 0-500 kWh	0.0888	0.0900	0.0900	0.0900	0.0900	0.0900
	Energy over 500 kWh	0.1144	0.1159	0.1159	0.1159	0.1159	0.1159
Electric - City Res Off Peak Heat/Cool	ECR-10-LM						
	Customer Charge	8.25	8.40	8.40	8.40	8.40	8.40
	Energy	0.0648	0.0699	0.0750	0.0800	0.0800	0.0800
Electric - City Residential Annex 1&2	ECR-13-ANX1						
	Customer Charge	10.25	10.40	10.40	10.40	10.40	10.40
	Energy 0-500 kWh	0.1043	0.1055	0.1055	0.1055	0.1055	0.1055
	Energy over 500 kWh	0.1299	0.1314	0.1314	0.1314	0.1314	0.1314
Electric - City Res Annex 1 Off Peak	ECR-13-ANX1-LM						
	Customer Charge	8.25	8.40	8.40	8.40	8.40	8.40

$$PPAC = \left( \frac{EAC + MISO}{WE \times 0.959} - 0.0120 \right)$$

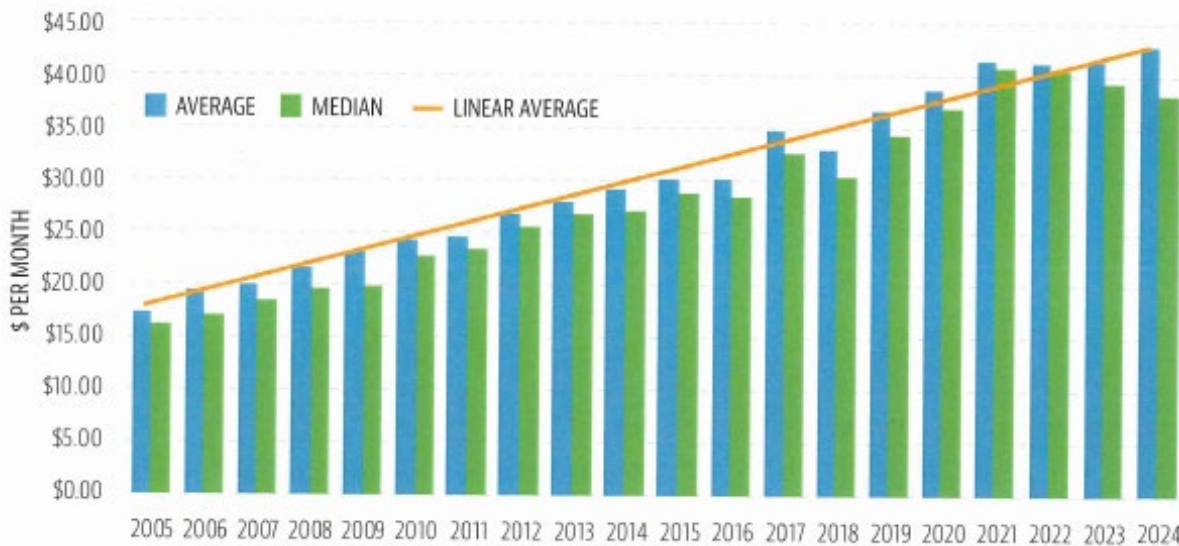
Where:

- PPAC is the power cost adjustment per kWh.
- EAC is the projected annual base energy adjustment cost in dollars.
- MISO is the projected annual transmission charges in dollars
- WE is the projected annual wholesale energy in kWh.
- 0.959 is a loss adjustment
- 0.0120 is the base dollars per kWh.

# Customer Rate Comparisons – Residential Water

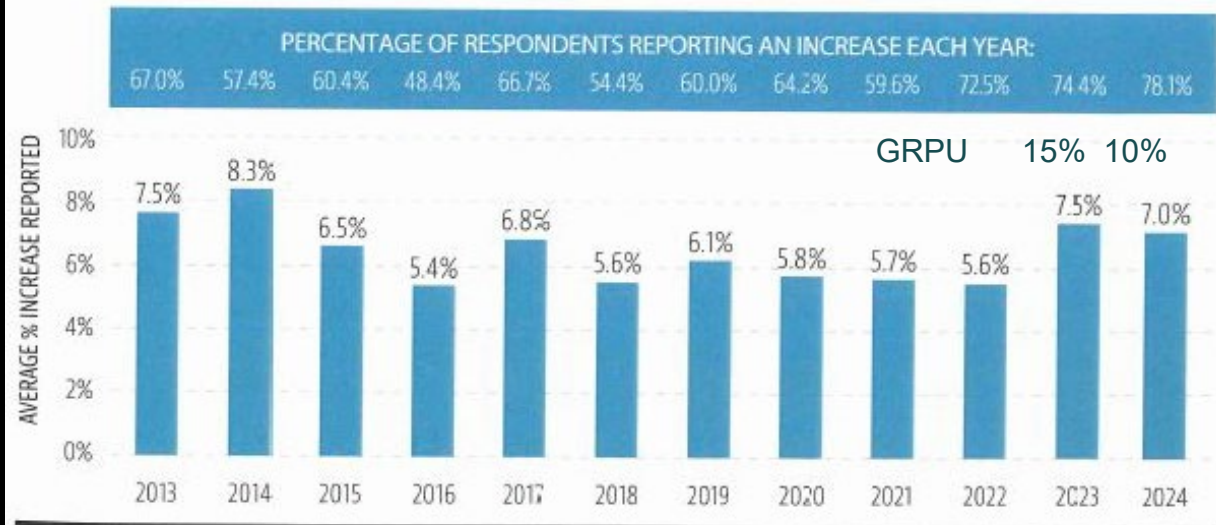
The graph below illustrates the average and median (50th percentile) charges for 6,000 gallons of residential water use per month from 2005 through 2024 showing the increasing trend over that past 20 years. This is just one illustration of the work water utilities have done to adjust rates to meet their financial needs and goals. Represented by the orange line, the trend over the past 20 years equates to an increase of approximately 4.4% per year.

## MONTHLY AVERAGE AND MEDIAN RESIDENTIAL WATER BILLS



Although it is easy to see the overall trend, the results year-to-year are scattered and more interesting. In the chart below, the table along the top indicates the percentage of respondents that reported a change to water rates each year for the last decade. The bars in the chart represent the average reported water rate change for each year since 2013.

## AVERAGE REPORTED ANNUAL CHANGE IN WATER RATE



2024 Annual Utility Rate Survey 10

## Cost of Service Considerations

The results of the water cost-of-service analysis in Section 3 indicate that there are subsidies from Multi-Family and Industrial customers to Commercial customers and the City LaPrairie. Rate increases for different groups of customers vary based on the cost-of-service results. Table 4-1 shows the average annual rate increases by customer class and for the total system through the Study Period.

**Table 4-1**  
Average Annual Rate Increases  
2023-2027 Study Period

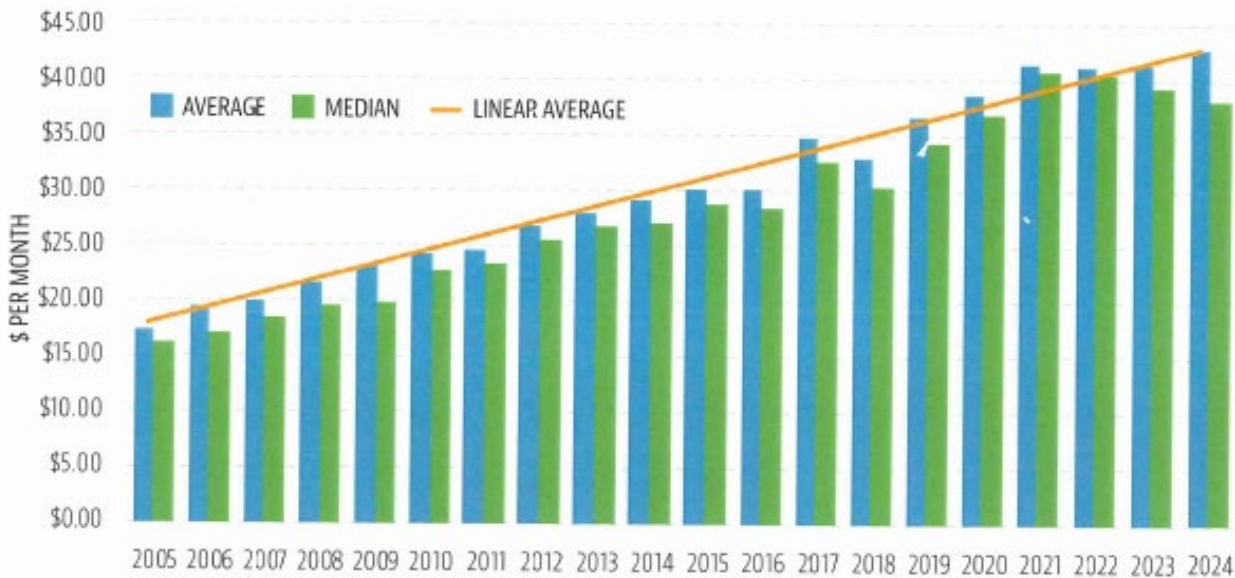
Customer Class	Avg Increase
Residential	11.1%
Commercial	13.6%
Industrial	9.1%
Multi-Family	6.0%
LaPrairie	10.5%
Total System	11.1%



# Customer Rate Comparisons – Residential Wastewater

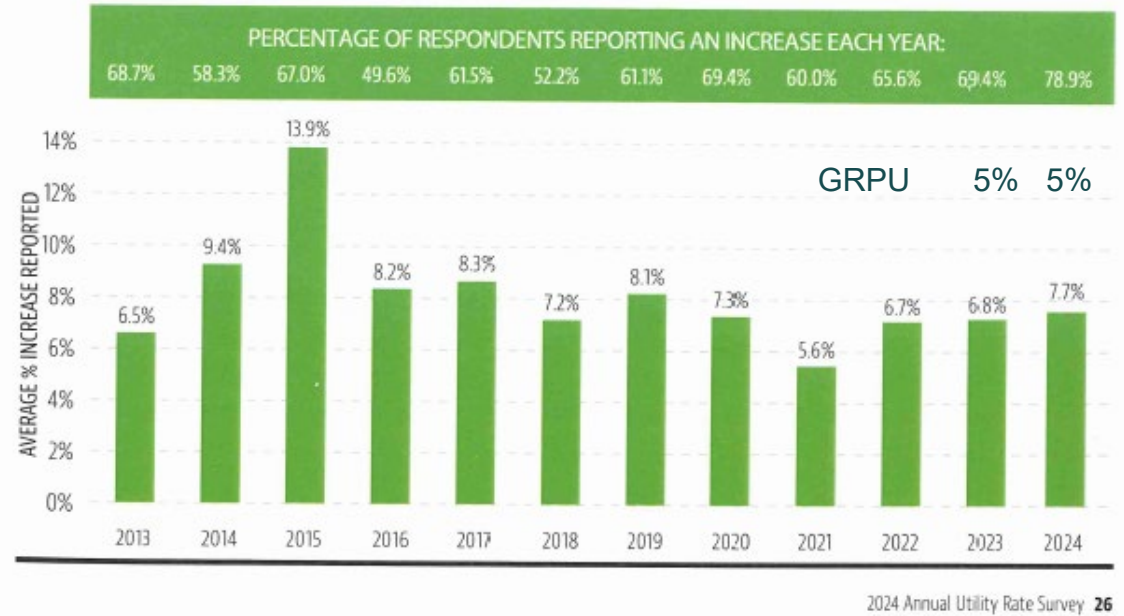
The graph below illustrates the average and median (50th percentile) charges for 6,000 gallons of residential wastewater discharge per month from 2005 through 2024. Similar to the water graphic on page 10, it is easy to see the increasing trend over that past 20 years. Represented by the orange line, the trend over the past 20 years equates to an increase of approximately 4.8% per year.

## MONTHLY AVERAGE AND MEDIAN RESIDENTIAL WASTEWATER BILLS



Although it is easy to see the overall trend, the results year-to-year are scattered and more interesting. In the chart below, the table along the top indicates the percentage of respondents that reported a change to wastewater rates each year for the last decade. The bars in the chart represent the average reported wastewater rate change for each year since 2013.

## AVERAGE REPORTED ANNUAL CHANGE IN WASTEWATER RATE

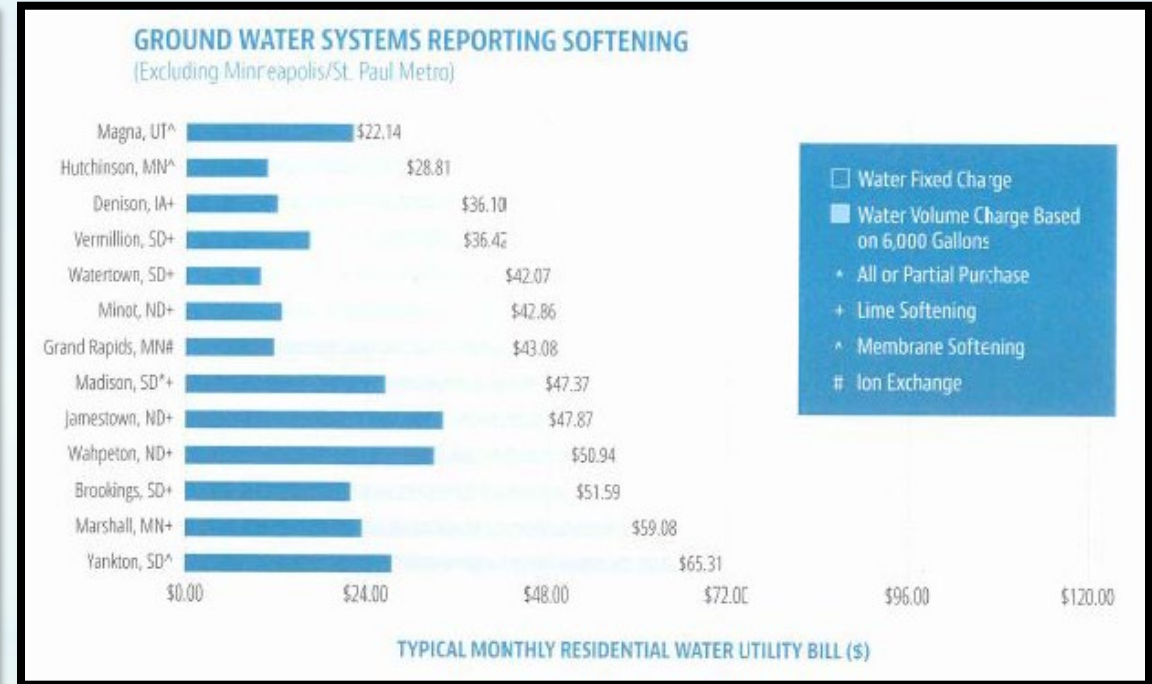
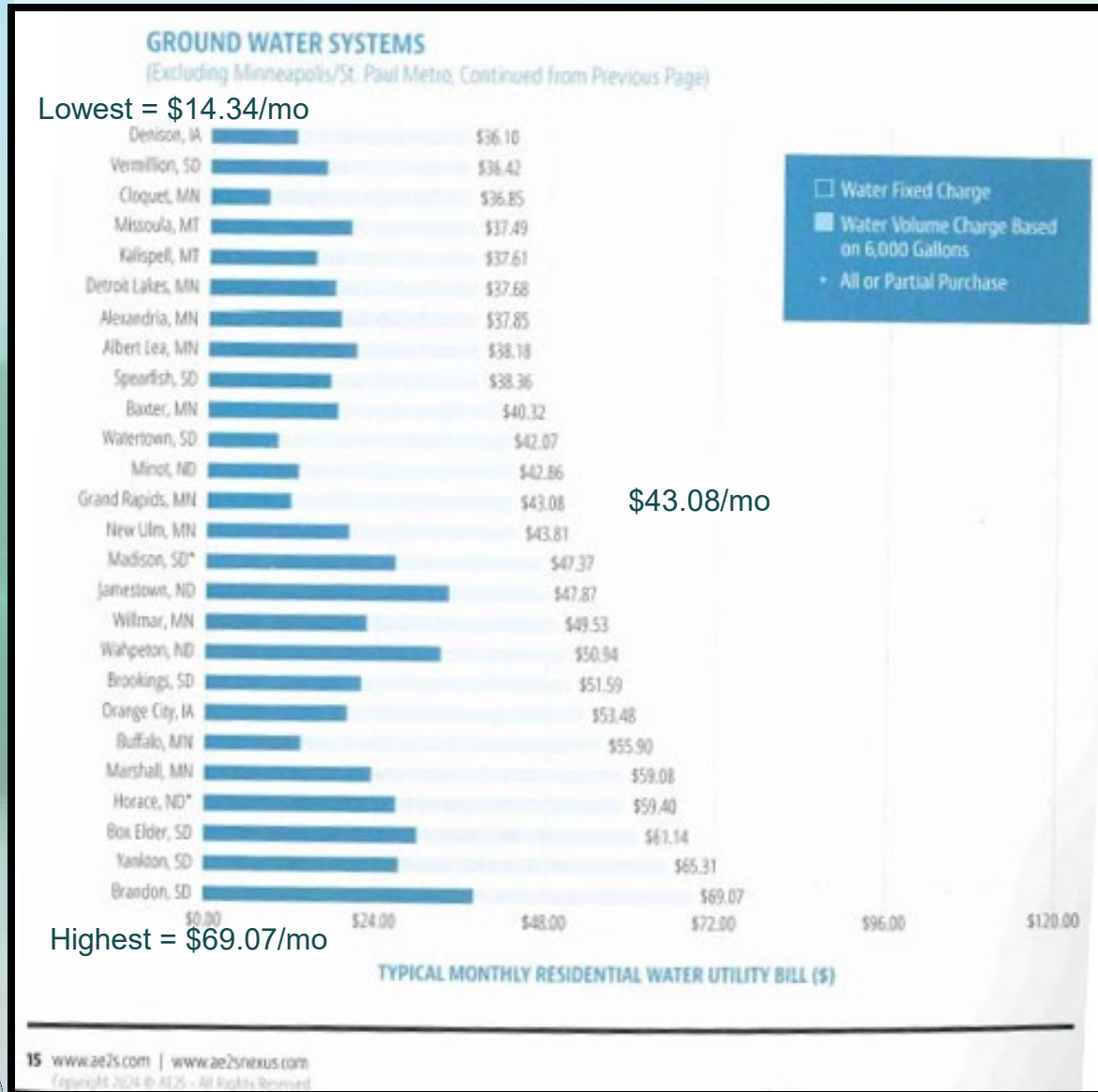


### Residential Bill Impact

Table 4-4 below summarizes the impact on monthly bills for different size residential customers. An average GRPUC residential customer consumes approximately 3000 gallons per month. For that average size customer, the first year bill increase is \$1.20 per month. For all customer usages shown, the annual increases are between 4.8% and 5.2% through 2027.

# Customer Rate Comparisons – Residential Water

Item 1.



### GRPU Table 4-4 Monthly Water Bill Comparisons

Residential Usage (gallons)	2,000	3,000	6,000
Current Rate	\$16.25	\$20.04	\$33.39
2023 Proposed	18.62	22.98	38.34
2024 Proposed	20.57	25.37	42.27
2025 Proposed	22.62	27.90	46.50
2026 Proposed	24.89	30.70	51.17
2027 Proposed	27.39	33.79	56.31

# Customer Rate Comparisons – Residential Wastewater

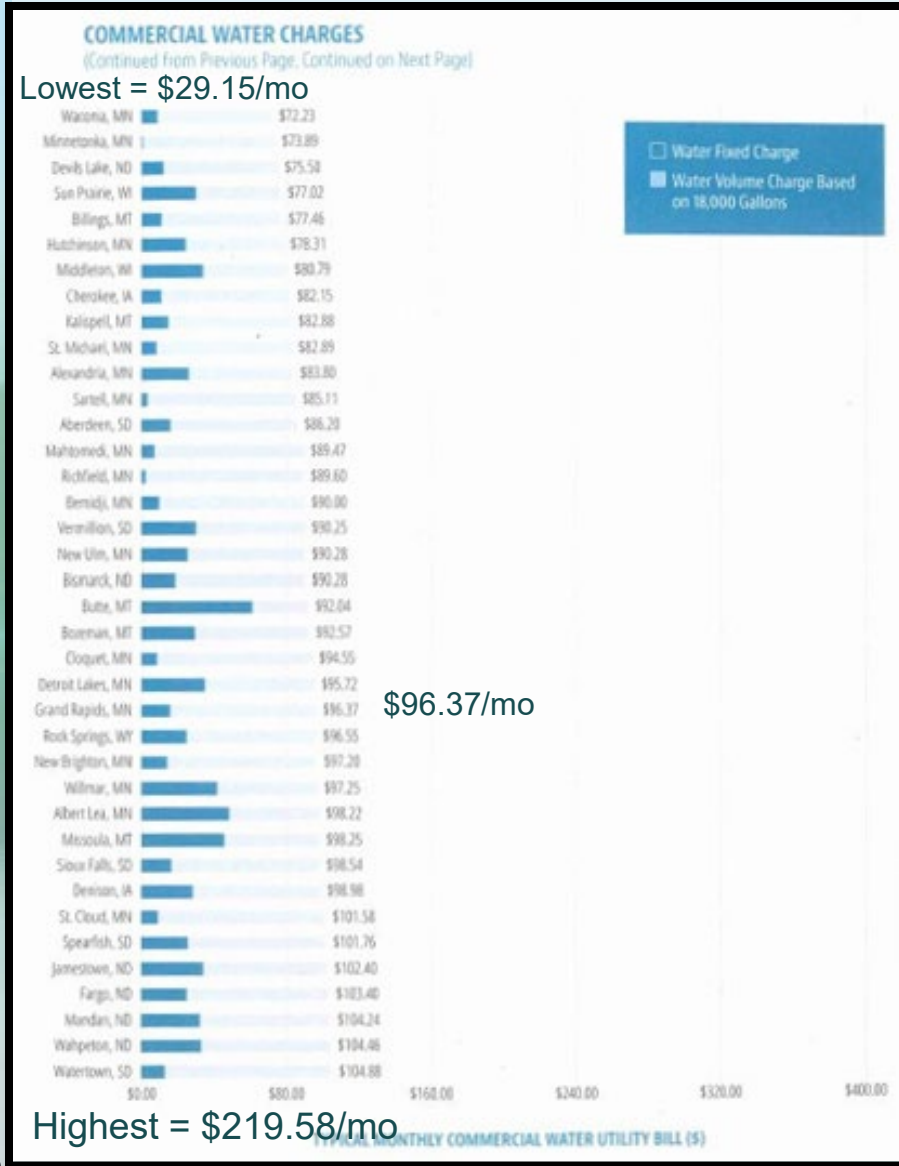
Item 1.



**GRPU Table 3-4**  
**Monthly Wastewater Bill Comparisons**

Residential Usage (gallons)	2,000	3,000	6,000
Current Rate	\$19.90	\$24.34	\$37.66
2023 Proposed	20.86	25.54	39.58
2024 Proposed	21.88	26.82	41.64
2025 Proposed	22.98	28.17	43.74
2026 Proposed	24.16	29.59	45.88
2027 Proposed	25.36	31.04	48.08

# Customer Rate Comparisons – Commercial Water & Wastewater Item 1.



# Conclusions and Recommendations

## Conclusions / Discoveries

1. Our complex expense allocations across the 3 utilities are fluid, frequently changing based on projects/need
2. Existing accounting system struggles to easily adjust allocations, creating lack of certainty in our projected 2024 EOY financials at this time given the significant changes in resource management from what was budgeted for year
3. The deep dive into unpacking and redoing the accounting system has brought to light many desired changes that will allow for timely and complete financial reporting for better utility management
4. Not completing planned capital projects has had a negative financial impact on our operations
5. Continue to suffer from not investing in water & wastewater capital improvements

## Recommendations

1. Must implement the revised expense allocation system in the new ERP software system (Q2 2025)
2. New methodology includes indirect internal departments that show actual costs providing transparency and ability to manage them
3. Future financials will no longer be inflated due to charging ourselves for vehicle usage in operations, these will be tracked internally as part of managing project costs
4. 2025 preliminary operations budget includes 100% labor so we are reviewing closely what we can realistically move to capital projects
5. Continue to develop debt management plan and seek grant opportunities to fund our necessary capital improvements

## Next Steps

Commit to distribute the 2025 draft operations and capital budget reports on Dec 13 for the Dec 18 Commission meeting

# Discussion / Questions

