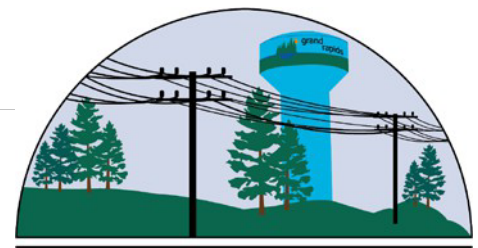


STRATEGIC PLAN

2026-2030



**GRAND RAPIDS
PUBLIC UTILITIES**
Service is Our Nature

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GRAND RAPIDS PUBLIC UTILITIES COMMISSION



*Back row (L-R): Luke Francisco, Secretary; Tom Stanley, President; Rick Smith, Commissioner
Front row (L-R): Nancy Saxhaug, Commissioner; Rick Blake, Commissioner and City Council Representative*

A MESSAGE FROM THE COMMISSION

The Grand Rapids Public Utilities Commission (GRPUC) is a component unit of the City government with full control, operation, and management of the electrical power distribution system, the water production, treatment, and distribution systems, and the wastewater collection and treatment systems in Grand Rapids. We are honored to serve on behalf of our customers.

Grand Rapids has one of the best municipal utilities systems anywhere. From the Commission to the staff to our energy partners, we all work hard to make sure GRPU meets the needs of our community and operates with excellence.

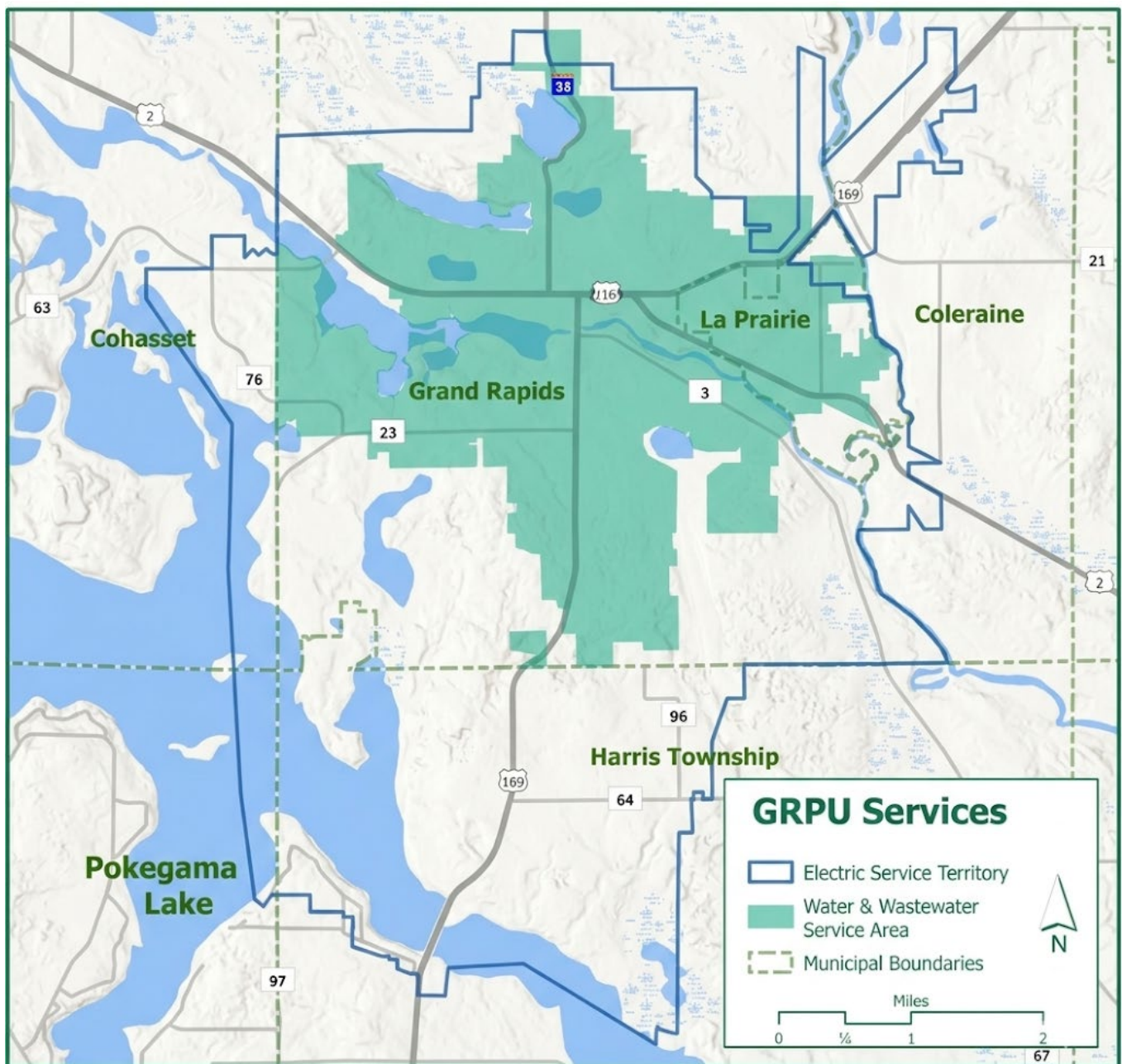
If the past few years have taught us anything, it is that the unexpected can happen. From tornadoes to public health outbreaks to industrial growth, our system must be ready for whatever is happening in Grand Rapids.

The GRPUC decided to envision, document, and carry out a set of actions that will position our utility — and our community — to thrive regardless of whatever circumstances may lie ahead. The strategic plan you are reading is the result of that work. It will allow us to be proactive in the days ahead and to recover more quickly when outside forces throw us a curve ball.

The actions described in this strategic plan are intended to ensure the Grand Rapids Public Utilities systems are reliable, resilient, and sustainable both economically and environmentally. We didn't create the plan in a vacuum. You, the customers, are impacted by our decisions from the wires to the water pipes. So, we came to you for input over the summer of 2023, and we incorporated your priorities into this roadmap for GRPU's future.

As stewards of this valuable community resource, we will continue to listen to you and adjust the plan as needed in the years ahead. Thank you for allowing us to serve you.

GRAND RAPIDS PUBLIC UTILITIES SERVICE AREA



WHO WE ARE

Grand Rapids Public Utilities (GRPU) is a statutory municipal utility established by the city of Grand Rapids, Minnesota. The Grand Rapids Public Utilities Commission (GRPUC) provides full control, operation and management of the GRPU electric power distribution system, the water production, treatment and distribution systems, and the wastewater collection and treatment systems.



Our Vision

Our vision is to be a dynamic and trusted public asset for the thriving community of Grand Rapids, enhancing lives and fostering growth through excellence in the provision of essential utility services.



Our Mission

Our mission is to empower GRPU team members to deliver safe, reliable, affordable, sustainable, and customer-focused utility services for our community.



Our Values

- | | |
|-----------------------|--|
| <i>Safety</i> | We hold paramount the well-being of our employees and the public in all operations. |
| <i>Integrity</i> | We uphold ethical standards and foster trust with all stakeholders. |
| <i>Customer Focus</i> | We prioritize customer needs and satisfaction in all our decisions and actions. |
| <i>Efficiency</i> | We maximize resources to provide cost-effective services without compromising quality. |
| <i>Reliability</i> | We consistently deliver high-quality utility services and strive for uninterrupted access. |
| <i>Sustainability</i> | We employ environmentally responsible practices in our operations and services. |
| <i>Transparency</i> | We openly share information and decision-making processes, promoting informed customers and community involvement. |



Our History and General Information

Founding and purpose. In March 1910, leaders in Grand Rapids established the community's Water, Light, Power, and Building Commission. Their foresight paved the way for the current infrastructure to serve our community and an independent public utilities organization that is answerable directly to customers.

For 115 years, a period spanning nearly six generations, the Grand Rapids Public Utilities Commission (GRPUC) has built infrastructure and made decisions aimed at ensuring accessible and economical public utility services to the greater Grand Rapids area. Grand Rapids Public Utilities (GRPU) is a valuable public asset and plays an integral role in the life of our community.

Governance. The GRPUC is a branch of the city government charged by Section 412.321, Minnesota Statutes, with full control, operation and management of the electric power distribution system, the water production, treatment and distribution systems, and the wastewater collection and treatment systems. The GRPUC is comprised of five Commission Board members ("Commissioners") appointed by the Grand Rapids City Council. A member of the Grand Rapids City Council also serves as one of the five Commissioners.

Service area. The area served by GRPU includes the cities of Grand Rapids, LaPrairie, Cohasset and certain outlying areas nearby.

Electric utility. GRPU distributes electrical power to more than 7,600 customers including approximately 6,000 city customers and 1,200 rural customers (including the City of LaPrairie).

Minnesota Power (MP) provides wholesale electricity under a long-term contract that extends through December 31, 2029. The contract requires no minimum purchase of power and provides that GRPU may add new customer-owned renewable generation capacity up to ten percent (10%) (non-cumulative) of the total GRPU load.

GRPU receives power at 115 kV and transforms it to 22.9 kV for distribution to 6 major substations, 5 rural step-down stations, or directly transformed to consumer applicable voltages. The main 115 kV-to-22.9 kV substation was constructed in 2005 at a cost of \$2.3 million dollars; it was financed through reserves. The Tioga 115 kV-to-22.9 kV substation was constructed in 2018 for \$1.4 million dollars. GRPU's electrical distribution system consists of 150 overhead and 222 underground conductor miles. GRPU is responsible for all construction, operation, and maintenance of the electric distribution system.

In 2022, MP and GRPU brought the Itasca Clean Energy solar and battery facility online. This facility includes a 2-megawatt solar array paired with a 1 megawatt, 2.5-hour lithium-ion battery. It is surrounded by pollinator-friendly vegetation. The system's solar array began generating power in April 2022, and the battery energy storage system began operating in October 2022. The solar array has an anticipated 25-year lifespan, and the energy stored in the batteries is discharged during peak usage periods to reduce the wholesale power need.





Our History and General Information (continued)

Water utility. GRPU provides potable water for more than 3,300 customers including residents of Grand Rapids, 2 industrial customers, the City of LaPrairie, and MN North College-Itasca Campus.

GRPU's source of water is five wells with a combined pumping capacity ranging from 1,600 to over 2,500 gallons per minute. In 1987, GRPU constructed the water treatment facility capable of treating 3.24 million gallons of water per day. Water treatment consists of aeration, gravity filtration, and zeolite softening. Treated water is stored in a 0.5-million-gallon underground water reservoir and pumped to the distribution system using high service pumps. The distribution system includes three 0.5-million-gallon elevated storage reservoirs and 81 miles of cast and ductile iron distribution mains consisting mostly of 6", 8", and 12" pipe. GRPU is responsible for the construction, operation, and maintenance of the production and treatment facilities and the replacement of the distribution system assets.

Wastewater utility. Wastewater collection and treatment services are provided to 3,209 city customers and 14 rural customers. GRPU also provides primary and secondary treatment for one large industrial customer, the City of Cohasset, the City of LaPrairie, and MN North College-Itasca Campus.

Wastewater collection is provided through a 68-mile system of gravity and force mains. The system includes 18 sewage lift stations located throughout Grand Rapids. The wastewater treatment facilities consist of the industrial screening/pumping station, the industrial primary treatment plant, the secondary treatment plant, and the sludge landfill. The facilities treat an average of 5.5 million gallons of waste effluent per day, 4.0 million gallons from UPM/Blandin Paper Company, and 1.5 million gallons from domestic users. GRPU is responsible for the replacement,

operation, and maintenance of the wastewater collection and treatment facilities.

Administrative facilities. In 1996, GRPU constructed a combined service center building to house GRPU staff who are not located at the Water Treatment or Wastewater Treatment Plants. The City of Grand Rapids contracts a portion of the building for the City's Public Works Department. The combined service center facility has allowed GRPU and the City to combine certain functions to provide better and more efficient services for their customers.

Community contributions. In addition to GRPU's direct impact on the community through the vital utility services it provides, GRPU returns more than \$882,000 annually from its electric utility to the city as a "Payment in Lieu of Taxes" or PILOT. The PILOT makes GRPU the largest taxpayer to the city, while it still maintains electric service rates competitive with regional cooperative and investor-owned electric utilities.

Financial management. Each December, the GRPUC adopts an annual budget that includes both capital outlays and operating revenues and expenses. The budget is based on the overall financial plan for GRPU, taking into consideration the results of various cost-of-service studies that project anticipated revenues and required expenditures over a five-year period.

Budget-to-actual comparisons are reviewed on a quarterly basis, and appropriate corrective action is taken if necessary. To date, the annual financial plan has not been linked with a comprehensive strategic plan, although periodic capital improvement plans and project-specific planning occur at various times.

PLANNING PROCESS AND ASSUMPTIONS

Since its founding, GRPU has consistently evolved to meet the needs of its customers and the ever-changing economy in Grand Rapids. GRPU provides excellent utility services, having benefitted over the years from robust community support, strong leadership from the Grand Rapids Public Utilities Commission (GRPUC), and dedicated, knowledgeable employees.

Rationale for Adopting a Comprehensive Planning Process

Throughout its 115 years, GRPU has engaged in various planning processes aimed at ensuring the utility is prepared for the changing requirements of the community. In early 2023, the GRPUC and its General Manager (GM) committed to adopting such a disciplined approach for the utility in order to facilitate the achievement of the organization's stated objectives in the years ahead.

To begin the new process, the GRPUC articulated the following aims:

- To pause and listen to stakeholder feedback in a structured manner, giving us insight into their current perceptions of GRPU's services and expectations around changing needs;
- To create an initial strategic plan that articulates a vision for the future that is actionable and supports intentional decision-making over time;
- To use the resulting plan as the framework for annual work plans that are practical, measurable, and financially feasible;
- To produce outcomes that align with the current and anticipated requirements of the Grand Rapids community; and

- To commit to an annual, systematic process of reviewing and updating our plans in light of changing needs and circumstances, thus positioning GRPU as a dynamic and trusted public asset worthy of enthusiastic ongoing support by its stakeholders.

To accomplish these aims, we:

- Met in an initial work session with key staff members and a facilitator from the Minnesota Municipal Utilities Association (MMUA) to map out a process to achieve these goals;
- Conducted an anonymous electronic survey of customers, staff, and other stakeholders;
- Reviewed data from a variety of sources including GRPU, MMUA, and the American Public Power Association (APPA), the American Water Works Association (AWWA) and others;
- Referred to the strategic plans and processes from related organizations in the utilities space including APPA, MMUA, and others; and
- Surveyed available information related to the forces impacting utilities.

With all this information in mind, the GRPUC and key staff members met in a subsequent multi-day planning session to determine the path forward that will best serve our customers and strengthen our utility services in the coming five or so years.

PLANNING ASSUMPTIONS

The utilities industry overall is experiencing rapid change. Climate-related factors, governmental regulations and initiatives, workforce challenges, and advancing technologies are all driving system evolution at a speed not seen in more than a century. The surge in demand for renewable energy sources, the focus on environmental sustainability, conversion to electric vehicles, new demands from customers such as data miners and those seeking interconnection with co-generators, grid updates, evolving water and land rights, aging infrastructure, and more, are all producing enormous challenges for utilities similar to GRPU.

Whether utilities like GRPU are responsible for electricity, water, wastewater or any other municipal utility services, they must strive to develop intelligent solutions and efficient

operations. If the utilities are not reliable, affordable, and sustainable, their customers and communities may fail to see the value in local ownership. While balancing these concerns, municipal utilities are obligated to ensure their infrastructure is safe and secure, both in today's environment and in the future.

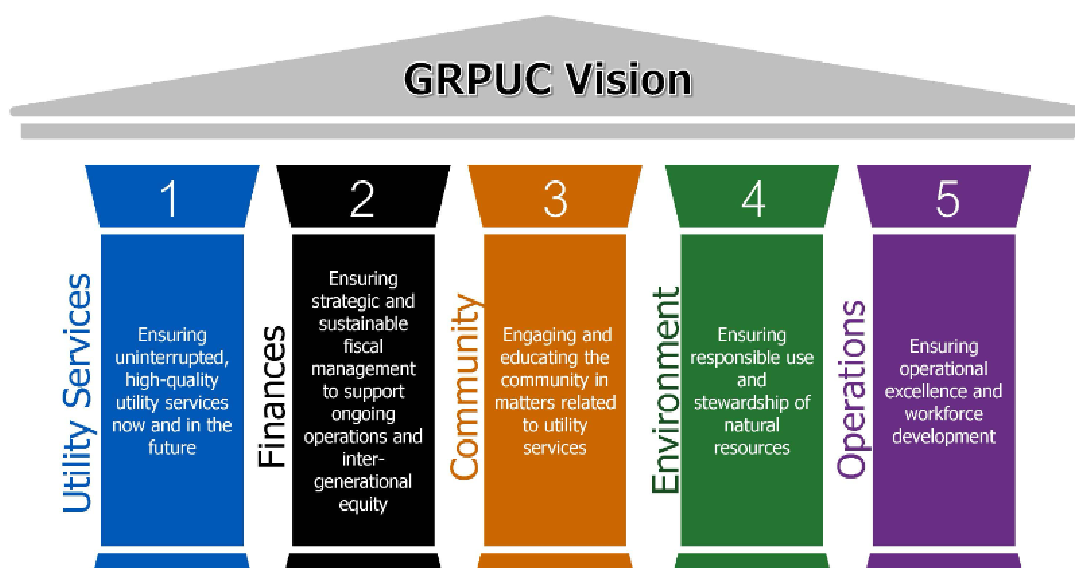
Municipal utility leaders like the GRPUC bear much of the responsibility for successfully navigating the immense transitions that will occur in the next twenty years. We welcome the challenge. As we do so, we assess our 2023 baseline circumstances (strengths, weaknesses, opportunities, and threats or SWOT) as follows.

OUR STRATEGIC INTENT: A DYNAMIC AND TRUSTED PUBLIC ASSET

This strategic plan is designed to ensure GRPU is behaving in a proactive manner with respect to its present operations and its anticipated future needs. In short, we aspire to strengthen the organization as we see it through the transitions that are underway and as our community evolves due to changing demographic patterns in our region, the actions of state and local government, local business decisions, and individual preferences.

Whatever may happen that is outside of our control, GRPU aims to be a dynamic and trusted public asset for the thriving community of Grand Rapids, enhancing lives and fostering growth through excellence in the provision of essential utility services.

The plan that follows will move us toward this vision. It is organized around five “pillars” of activity and intended results areas. These, we believe, are essentially timeless and represent the major components of any sound utility operation. They can be depicted as shown in the diagram on the following page.



The Strategic Pillars Supporting Our Mission

GRPUC Values

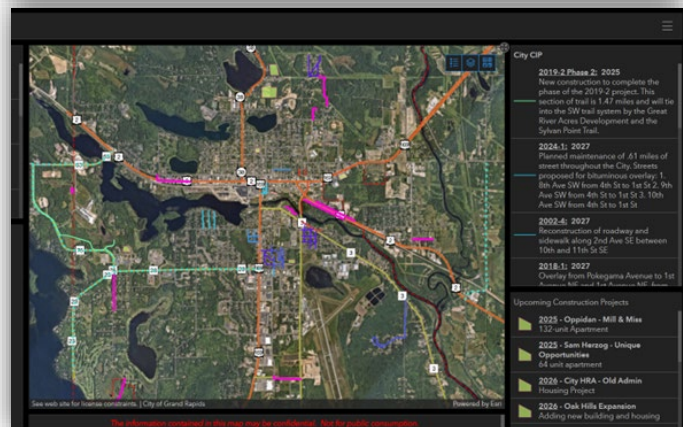
We also recognize that conditions change, and we must be able to respond to circumstances as they arise. It is our intention to fulfill this plan and to adjust it periodically to address emerging realities.

We provide the following principles to guide our decision-making between Plan revisions and as we consider alternatives throughout the Plan period.

- **Growth should be embraced.** As our community grows and its needs evolve, GRPU should position itself to have maximum flexibility in how it meets the increasing requirements on its system. We will consider expanding GRPU's service territory whenever doing so can be justified in light of the costs and expected future load.
- **Our financial approach** must balance both short-term needs and long-term priorities. We prefer to be proactive in the repair, replacement, and expansion of utility infrastructure, even if that means incurring debt from time to time.
- **Our relationship with key stakeholders** should balance their needs and priorities with our own. We recognize that certain business decisions will always be, either due to necessity or preference, transactional in nature. However, we do not wish to operate with a purely transactional mindset with respect to our important relationships. When possible, practical, and in the best interests of our customers, GRPU will cultivate a shared future with key stakeholders.
- **The natural environment** is a resource we all share, and it is one of the greatest added values to the quality of life in Grand Rapids. Consequently, GRPU will pay attention to the **impact** its operations and future decisions may have on the environment and take pains to minimize any negative impact. Simultaneously, we will attend to the requirements of system

reliability and cost. We will listen to our customers when these interests seem to collide, and we have discretion over the paths that may be chosen.

- **Our employees** are valuable partners in the achievement of our goals and the delivery of the utility services on which our community depends. We will compensate them fairly, train, encourage, and help them to develop within our organization, and hold both them and us to the highest standards of professional conduct.



STRATEGIC PILLARS

Following are GRPU's objectives for the next five years. They will be attained through the process of breaking the objectives down into specific, measurable, achievable, relevant, and timely (SMART) goals. These will be documented annually in the operating plan's period and supported by the approved budget.



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 ensuring uninterrupted, high-quality utility services now and in the future.

1. Complete the Water Treatment Plant (WTP) renovation project.
2. Update and refine our long-term infrastructure replacement plans.
3. Anticipate community growth and investigate service area expansions for each of the utilities.
4. Continue to complete our gradual undergrounding of the electrical system.
5. Improve our electric, water and wastewater utility reliability reporting tools.
6. Establish policies and develop contingency plans to manage risks associated with providing reliable utility services, such as safe drinking water, grid failures, or the inability of our single source of power to meet its obligations.



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 customers. 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 intergenerational equity.

1. Design and implement ERP reporting metrics, dashboards, and a multi-year financial forecast model to enhance financial transparency, improve forecasting accuracy, and support data-driven decision-making across the organization.
2. Update and refine our long-term infrastructure replacement plans.
3. Anticipate community growth and investigate service area expansions for each of the utilities.
4. Establish and maintain financial reserve and debt-management policies that provide sufficient operating stability and enable timely access to emergency funding for unplanned infrastructure needs.



Strategic and Sustainable Fiscal Management (FM)

5. Update electric, water, and wastewater rate structures to account for the evolving operational needs and customer use patterns.
6. Implement long-term cost-control strategies that moderate salary growth, align staffing with service demands, and maintain disciplined management of operating expenses.
7. Finalize utility scenario planning and modernize customer agreements to proactively manage and reduce exposure to revenue volatility from large-customer loss.
8. Expand efforts to secure competitive grants, leverage state and federal funding programs, and advocate for legislative actions that enhance the utility's financial stability.



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. Continue to add to our customer education information highlighting shared water stewardship, the Conservation Improvement Program (CIP), utility operations, and city partnership roles.
2. Continue to update our customer communications plan featuring monthly campaigns, new and prospective customer information, key customer events, stakeholder meetings, outreach to local groups, features of the customer portal and ongoing website enhancements.
3. Conduct a customer engagement survey to gather feedback and guide improvements in service delivery and communication.
4. Increase digital engagement by transitioning a targeted percentage of customers to paperless billing to improve customer convenience and reduce utility costs.
5. Publish an annual report that clearly summarizes major projects, financial results, and organizational accomplishments.
6. Hold two joint Council–Commission meetings to strengthen alignment between the City of Grand Rapids and GRPU on collaborative initiatives.
7. Participate in community events such as Tall Timber Days, Safety Camp, and other local activities to increase visibility and strengthen community relationships.



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 to ensure responsible use and stewardship of natural resources.

1. Protect our community's public health and natural resources and maintain 100% compliance with all regulations.
2. Promote utility operations and projects that support key natural environment initiatives and programs.
3. Relocate the septic hauler station from the old wastewater treatment plant to the new facility to improve efficiency and environmental protection.
4. Continue regular televising of the wastewater collection (WWC) system to support proactive maintenance, reduce inflow and infiltration, and strengthen safeguards against environmental incidents.
5. Complete the WWTP landfill cover reconstruction and implement updated sludge demand agreements to ensure long-term environmental compliance and responsible operations.
6. Investigate the feasibility of a composting program to determine its environmental benefits and alignment with GRPU's long-term sustainability goals.



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. Update personnel policies to clearly communicate organizational culture, structure, training expectations, work-life balance practices, and employee recognition standards.
2. Improve efficiency through enhanced project management tools by strengthening tracking and reporting.
3. Implement an employee success-sharing program to recognize contributions and reinforce a performance-driven culture.
4. Finalize the electronic document retention conversion to modernize records management, improve accessibility, and support compliance.

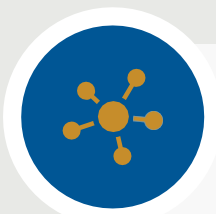


Operational Excellence (OE)

5. Evaluate return on investment (ROI) for our various software platforms and align technology tools with organizational needs and long-term value.
6. Establish an employee safety metric to track performance, reinforce safe work practices, and drive continuous improvement in safety outcomes.
7. Define and engage in legislative activities by identifying priority issues and determining GRPU's appropriate role in advocacy and involvement.

OPERATIONAL PLANNING, REPORTING AND ACCOUNTABILITY

PLANNING



Each year in August, the GRPUC and GM will review the organization's SWOT, strategic and operational progress. Over the next month, the strategic plan will be updated. Implications and priorities for operations will then be discussed with the GRPUC in September.

Following updated and reaffirmed strategic direction from the GRPUC, the GM and staff will create an annual operating plan. This plan will include SMART goals based on the operating priorities and strategic intent of the GRPUC.

The annual budget will be developed to support the successful realization of the operating plan. Each year GRPU's Audit and Finance Committee will review the budget in November and provide feedback. The final draft of the operating plan and supporting budget will be referred to the GRPUC for action at their December meeting.

REPORTING



Monthly staff reports to the GRPUC will align with and reference the approved operating plan. Items requiring action by the GRPUC will be placed on the agenda.

The GM will report to the GRPUC on progress toward achieving each approved goal/deliverable in a report card prepared in advance of GRPUC meetings in the months following the end of each quarter (April, July, October, and January).

Timelines and/or other details regarding achievement of the SMART goal(s) will be adjusted as needed when conditions require doing so.

SMART goals will not be fully discarded unless they are being replaced with another tactic that will achieve the strategic objective they support. GRPUC action is required to alter or eliminate a strategic objective.

STAFF ACCOUNTABILITY



Each year, employees work toward individual performance goals that support GRPU's objectives and aid in their own professional development.

Beginning in 2024, annual employee goals will align with the SMART goals in GRPU's operating plan, and we will foster an organizational culture that is consistent with GRPU's vision, mission, and values as described in the Strategic Plan.

Supervisors will provide ongoing feedback to employees in a manner determined by the GM and consistent with relevant union contracts. Our intent is to ensure that each GRPU team member feels fully connected to the organization's strategic path, knows how they uniquely contribute to achieving our goals, and are supported by the entirety of GRPU in carrying out their roles.

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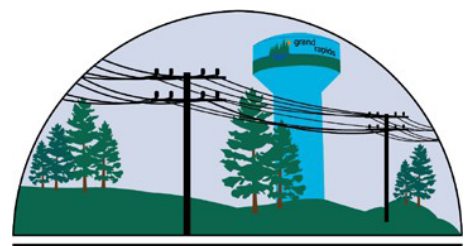


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GRPUC.ORG



**GRAND RAPIDS
PUBLIC UTILITIES**
Service is Our Nature