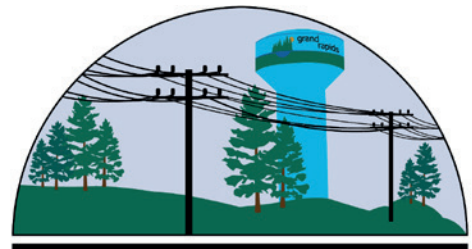


# STRATEGIC PLAN

2023-2028



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



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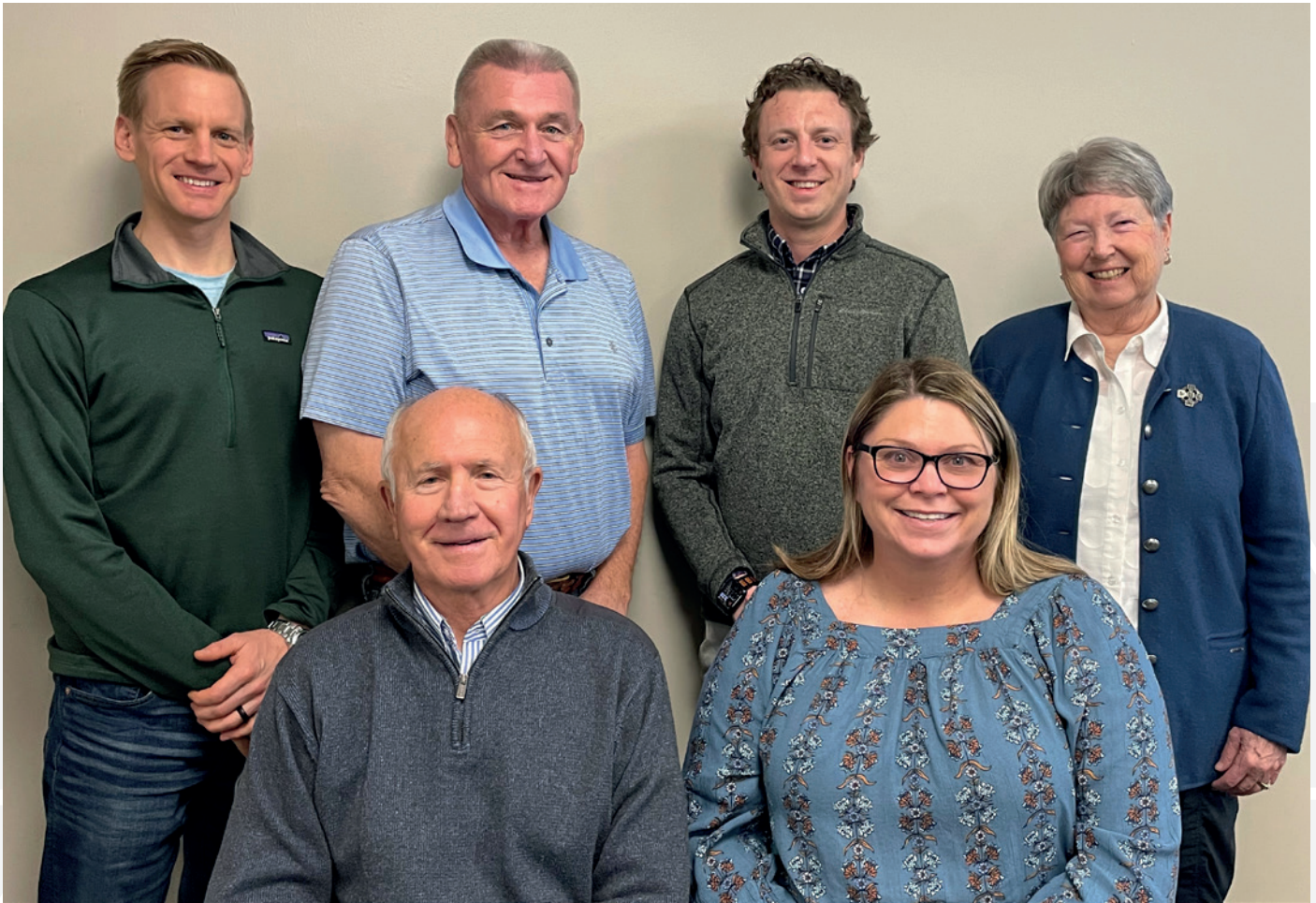
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# GRAND RAPIDS PUBLIC UTILITIES COMMISSION



*Front row l-r: Tom Stanley, President, and Julie Kennedy, General Manager and Liaison. Back row l-r: Rick Smith, Commissioner, Dale Adams, City Council Representative, Luke Francisco, Secretary, and Nancy Saxhaug, Commissioner.*

# A MESSAGE FROM THE COMMISSION

**The Grand Rapids Public Utilities Commission (GRPUC) is a branch 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 ratepayers.**

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

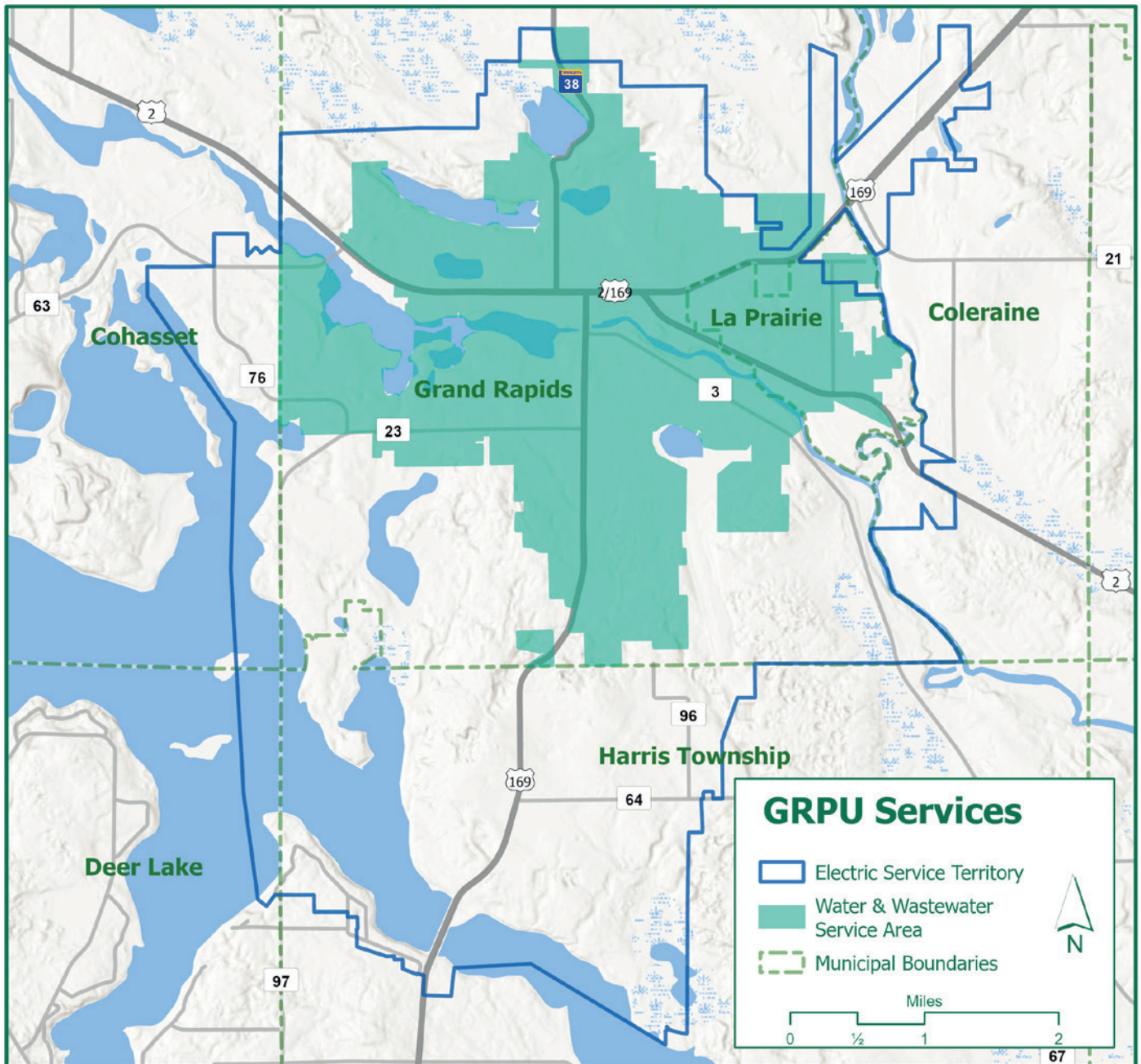
If the past few years have taught us anything, it is that the unexpected can happen. From tornadoes to pandemics to industrial demand changes, our system has to be ready for whatever is happening in Grand Rapids.

So in the spring of 2023, 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 plan are intended to ensure the Grand Rapids Public Utilities system is reliable, resilient, and sustainable both economically and environmentally. We didn't create the plan in a vacuum. You, the ratepayers, own this utility 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 days ahead. Thank you for allowing us to serve you.

# GRAND RAPIDS PUBLIC UTILITIES SERVICE AREA



Esri, NASA, NGA, USGS, FEMA

# 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 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

### *Safety*

We hold paramount the well-being of our employees and the public in all operations.

### *Integrity*

We uphold ethical standards and foster trust with all stakeholders.

### *Customer Focus*

We prioritize customer needs and satisfaction in all our decisions and actions.

### *Efficiency*

We maximize resources to provide cost-effective services without compromising quality.

### *Reliability*

We consistently deliver high-quality utility services and strive for uninterrupted access.

### *Sustainability*

We employ environmentally responsible practices in our operations and services.

### *Transparency*

We openly share information and decision-making processes, promoting informed 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 serving our community and an independent public utilities organization answerable directly to ratepayers.

For 113 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 leases 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 in order to provide better and more efficient services to their constituents.

**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, non-appropriated 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-to-seven-year period.

Budget-to-actual comparisons are made 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 has occurred at various times in the past.

# 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 staff.**

## Rationale for Adopting a Comprehensive Planning Process

Throughout its 113 years, GRPU has engaged in various planning processes aimed at ensuring the utility is prepared for the changing requirements of the town. However, there has not been an ongoing, consistent, strategic planning and execution process. 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 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 ratepayers, staff, and other stakeholders;
- Reviewed data from a variety of sources including GRPU, MMUA, and the American Public Power Association (APPA);
- 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 in general and municipal utilities in particular.

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 ratepayers and strengthen our utility services in the coming five years or so.

# PLANNING ASSUMPTIONS

The utilities industry overall is experiencing rapid change. Climate-related factors, governmental initiatives, 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, 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, gas, water, wastewater, storm sewer, 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 into 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. It is a heavy load to carry, yet we accept the challenge. As we do so, we assess our 2023 baseline circumstances (strengths, weaknesses, opportunities, and threats or SWOT) as follows.

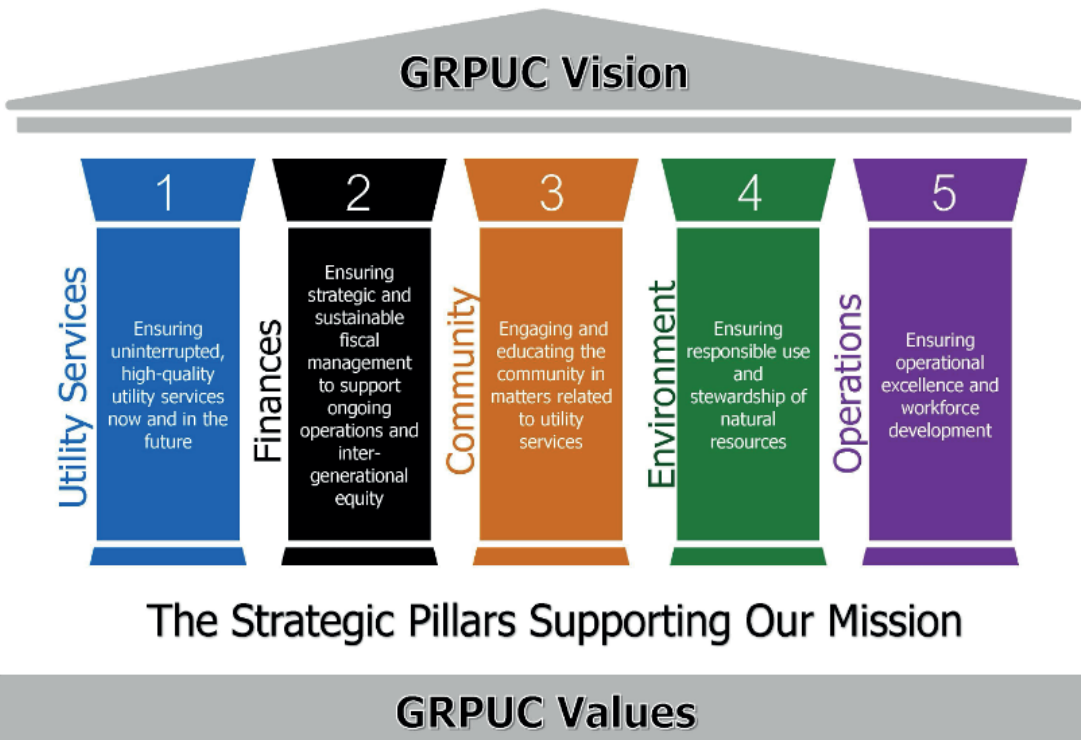


# OUR STRATEGIC INTENT: A DYNAMIC PUBLIC ASSET

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 energy transition that is 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 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.



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 ratepayers, 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 ratepayers 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 careers within our organization, and hold both them and ourselves to the highest standards of professional conduct.



# STRATEGIC PILLARS

Following are GRPU's objectives for the next five years. They are aspirational, and 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 period's operating plan 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. GRPU will develop and begin to execute a long-term (i.e., no less than five year, no greater than twenty year) 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.



## 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.).



## 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.
2. 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.
3. 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.



## 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 to necessary to demonstrate to the community that we are protecting the environment while conducting our operations.



## 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.

