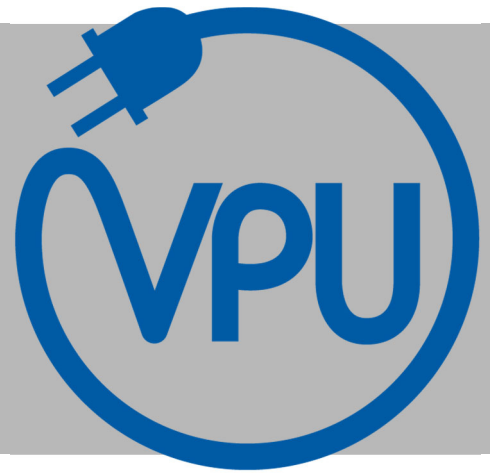


The VPU Quarterly

April 2025



Tariffs: What We Know & What We Don't

In the last month, VPU has received several customer inquiries regarding the impacts that may result from United States imposing tariffs on Canada, as well as Canadian tariffs on the United States.

As of this writing, Minnesota Power has not published a public press release; however, they have provided the following statement:

“Minnesota Power generates the majority of its energy supply here in northeastern MN and domestically. Our energy supply of thermal, wind, hydro, solar and biomass strengthens our ability to provide reliable service to the 150,000 customers we serve in northeastern MN. We have on occasion utilized a small amount of electricity from Ontario. In 2024 those costs totaled about \$300K. So, we would expect the impact of the 25% Ontario surcharge on our customers to be negligible.”

In addition to electricity, the imposition of tariffs is expected to have an impact on natural gas.

While we have not been provided with a statement from our gas management team at this time, we can say that VPU is geographically located such that we can flow gas from several different sources. This means that only a fraction of the gas we purchase could potentially flow into Minnesota from Canada, while the bulk of our purchases flow from the south.

This is a very fluid situation that will continue to evolve moving forward. Despite the current uncertainty in regards to tariffs, VPU is committed to working with our suppliers to keep our rates competitive.

Quick Notes:

The office will be closed on the following dates:

May 26th
June 19th
July 4th

Know the smell of natural gas!

If there is a faint smell, call the VPU at (218) 748-7540.

If in doubt, exit the building & call 911!

Sign up for Direct Pay and eliminate the need to write a check each month!

Forms are available in the VPU office or on our website at www.vpuc.com.

What's Happening at VPU

- **Core Conversion**—We have received gas applications from nearly three-quarters of the property owners who will need to migrate away from steam heat. The eager responses from our customers have been much appreciated! We have yet to hear from some property owners, but there is still time. If you wish to convert to natural gas, we have openings for the 2025 construction season. Applications for the natural gas conversion can be picked up in person, found online at www.vpuc.com, or you can call our office at (218) 748-7545 to request to have a copy mailed to you. If you are choosing a different heating source, such as electric or propane, or if you do not intend to complete the conversion, we ask that you contact our office to relay your plans. We are working diligently to be sure all customers are aware of the conversion and know their options, so we don't leave anyone out in the cold!
- **Loan Program**—The interest-free loan program is open and available for any customers who are still on steam heat and who are located in the core conversion area. Once you apply for the loan and submit two estimates, we will mail you a packet of information that includes all of the documents you will need to complete throughout the duration of the project. The Utility will pay the contractor directly for up to \$600,000 in steam conversion-related expenditures and allows the customer to repay funds back to the Utility over the course of the following ten years.
- **Electrical**—Electric work that needs to be done for the conversion may also be included in your loan. From what we are hearing from contractors and experiencing in our electric distribution department, some electrical components still have a long lead time. This is another reason why we are asking core steam customers to start thinking about their conversions sooner rather than later.
- **Power Distribution Center**—Our newsletters often focus on what we are asking our customers to do in order to prepare for the shuttering of the steam plant, but VPU also has work to do before October 2026. The most important task at hand is to build a new power distribution center. Our current configuration feeds electricity into the plant before it is disbursed throughout town. In order to be able to abandon the steam plant, we will need to isolate this feed away from the building. This project was approved by the Commission in the fall, and construction is anticipated to begin later this year in order to meet the steam conversion deadline.

The bid was awarded to States Manufacturing to construct a complete E-house with equipment for six electrical feeders. This building will sit near the south end of the existing power plant and is expected to be delivered in late 2025. We will then re-route the electrical feeders from the plant to the distribution center.

Once this project is complete, it will also be a major step forward in providing reliable power to the City by giving us more capacity and options for switching power feeds around in the event of an outage.

Retirements

We recently received a retirement notice from one of our most senior employees. Over the last ten years or so, VPU has seen a massive turnover in staff as the Baby Boomer generation has begun to retire. These aren't just any employees—these are the long-timers. These are the guys who have shown up day in and day out for thirty plus years, which is nothing short of remarkable. As the last of these guys ride off into the proverbial sunset, we would like to extend our gratitude for their dedication, work ethic, willingness to teach a new generation of workers, and for simply leaving VPU a little bit better than they found it. We wish you all the best!