

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: BOARD OF COMMISSIONERS
(February 22, 2011 Meeting) **DATE:** Feb. 17, 2011

FROM: Laurie J. Hansen 

SUBJECT: ENERGY PARK UTILITY COMPANY FRANCHISE
APPROVAL OF RATES
RESOLUTION NO. 4379

Action Requested: Approval of Schedule A Energy Park Utility Company (EPUC) Rates effective April 1, 2011

Background:

In connection with the conversion to the four-pipe system at EPUC, we amended the Franchise Ordinance and the Schedule A which is the schedule of rates and charges.

Section 6(e) of the amended Franchise Ordinance requires the Port Board to approve the amended Schedule A.

Proposal:

Attached please find the Schedule A which includes a complete list and the methodology for establishing the new rates effective April 1, 2011. In summary, new rates will be:

	<u>Current Charges</u>	<u>Proposed Charges 4/1/2011</u>	<u>% Change</u>
Demand Charge (\$/MMBtuh/Mo)	\$879.83	\$906.45	3.0%
Hot Water Commodity Charge Base (\$/MMBtu)	\$ 3.80	\$ 3.80	0.0%
Chilled Water Commodity Charge Base (\$/MMBtu)	\$ 3.73	\$ 3.73	0.0%
Fuel Adjustment Charge – Difference Between Actual Variable Cost and Base Variable Cost (\$/MMBtu)	\$ 5.82	Varies	

The 2011 rates and charges do not include any debt service for the four-pipe conversion financing because the interest will be capitalized during the construction period.

Recommendation:

We recommend approval of the Schedule A Rates and Charges.

LJH:ca

Attach.

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SCHEDULE A (AMENDED)
to
ENERGY PARK UTILITY COMPANY FRANCHISE
granted to the
SAINT PAUL PORT AUTHORITY
by the
CITY OF SAINT PAUL
(Ordinance No. 10-59, adopted January 12, 2011)

COMPANY CHARGES: Pursuant to Section 16.A. of the Energy Park Utility Company Franchise, the following rates shall be effective beginning April 1, 2011 and shall remain in effect until superseded:

FIXED CUSTOMER CHARGE: Customer Charge \$100.00 per month per Customer.

DEMAND CHARGE: Beginning on April 1, 2011, the Demand Charge portion of the Hot Water and Chilled Water rate schedules shall be as follows:

i)	Budgeted Operating Expenses (4/1/11 to 12/31/11)	\$577,246
ii)	All Debt Service Costs and Requirements	0
iii)	Fixed Reimbursement (9 Months)	<u>202,500</u>
	Subtotal	\$779,746
	Multiplied By	1
iv)	Budgeted demand revenues before 10% Reserve for Repairs, Replacements, Modifications, and Expansions	\$779,746
	Divided By	90%
	Budgeted Total Demand Revenues	\$866,384
	Divided by	
	Budgeted Energy Demand (MMBtuh – 4/1/11 to 12/31/11)	<u>956</u>
	Hot and Chilled Water	
	Demand Charge (\$ per MMBtuh per Month)	\$906.45

COMMODITY CHARGE: The Hot Water Commodity Charge is \$3.80 per MMBtu, and the Chilled Water Commodity Charge is \$3.73 per MMBtu.

FUEL ADJUSTMENT CHARGE: The commodity portion of the Hot Water and Chilled Water rate schedules will be adjusted upward or downward each month based on the difference between actual variable costs and base variable costs. (The base variable costs built are \$3.80 per MMBtu for Hot Water and \$3.73 per MMBtu for Chilled Water.) Actual variable costs will be computed each month by dividing the cost of fuel (electricity, gas, oil, propane and any other fuel) plus water treatment expenses to operate the central energy plant by sales made during the corresponding month. The fuel adjustment charge applied to each customer's bill will be the difference between actual variable costs and base variable costs (expressed dollars per MMBtu) multiplied by that customer's heating or cooling energy use during the corresponding month. Actual variable costs for the current month will not be known at the time of billing; and, therefore, for the purpose of computing the fuel adjustment charge, actual variable costs shall be deemed to be the average monthly actual variable costs over the preceding twelve (12) months.

ADMINISTRATIVE SERVICES CHARGE: The Administrative Services Charge shall be established pursuant to the Energy Park Utility Company Franchise.

LATE FEE: According to the Franchise Ordinance, tThe Company may charge a late payment penalty of five (5) percent of the total amount due which may be added to bills which are not paid within twenty-one (21) days of the billing date.

SURCHARGE: All rates for providing Chilled Water and Hot Water services will be subject to the City of Saint Paul franchise fee and other appropriate state and local taxes. Residential, commercial and industrial bills shall be subject to separate charges.