

SUBJECT

BOARD RESOLUTION NO. 15-469

Pertaining to Amendment No.1 to Contract for Water Services with the City of Little Canada.

BACKGROUND INFORMATION

The proposed amendment is to the 20-year 2006 Contract for Water Services between the Board and the City of Little Canada.

Main points of the amendment

- A new Water Service Base Fee of \$7,800 per month is established.
- The Water Volume Charge is lowered from 71% to 65% of the lowest seasonal rate charged to retail water customers in the City of Saint Paul.
- The Board and the City agree to review the charges every five years, or in the event there is a significant change to the Board's retail rate structure. The parties agree to share the costs of this review.
- The effective date of the amendment is January 1, 2013.

Because charges were based on the old rate since January 1, 2013, adjustments will be made to future Little Canada charges to make up the difference.

Rationale

In 2013, the Board changed the rate structure for its retail customers from one based solely on volume to one that included both a base fee and a lowered water volume rate. Staff knew that by introducing a fixed base fee and lowering the water volume rates for retail customers, the rates paid by our wholesale customers would be affected. So in anticipation of the change, the Board contracted with Progressive Consulting Engineers in 2012 to perform a cost of service study of the Board's wholesale customers. This study, which was conducted in anticipation of the change in the retail rate structure, determined what it costs the Board to provide water service on a wholesale basis to the cities of Little Canada and Roseville. The water service base fee and water volume charge included in this amendment reflect the results of that study.

The City of Little Canada has requested an opportunity to address the Board regarding this Amendment and the process of setting wholesale water rates. They have been invited to attend the March 10, 2015 meeting.

RECOMMENDATION

Approval is recommended.