

August 16, 2022

Shari Moore
City Clerk
310 City Hall
15 Kellogg Boulevard West
Saint Paul, MN 55102

Re: District Heating Service Rates

Dear Ms. Moore:

Pursuant to Section 6(e) of the hot water district heating franchise (City Ordinance No. 07-1108, §§ 1 and 2, adopted December 12, 2007), District Energy St. Paul, Inc., hereby files notice of the rates to be charged to district heating customers effective October 1, 2022.

These rates were determined in accordance with the Hot Water Delivery Agreement and approved unanimously by District Energy St. Paul's Board of Directors on June 9, 2022. As detailed on the enclosed exhibit, the new rates are:

Two-Part Rate:	Demand:	\$6.03 per kilowatt per month
	Energy:	\$32.75 per megawatt-hour
Single & Transition Rate:		\$0.0753 per kilowatt-hour

District Energy St. Paul will, of course, abide by the provisions of the City of Saint Paul's Ex Parte Ordinance set forth in Chapter 11 of the Administrative Code. Please contact me at 651.297.8955 if there are any questions.

Sincerely,
DISTRICT ENERGY ST. PAUL INC.



Kenneth W. Smith
President

Enclosures: Rate Calculations Summary, Schedule A (Amended) and Attachment 1

cc: City Council Members
District Energy Board
John McCarthy, Director, Office of Financial Services
Sarah Brown, Treasurer, Office of Financial Services
Lyndsey Olson, City Attorney
Saint Paul BOMA

SCHEDULE A (AMENDED)
to
HOT WATER FRANCHISE
granted to
DISTRICT ENERGY ST. PAUL, INC.
(f/k/a/ District Heating Development Co.)
by the
CITY OF ST. PAUL
(Ordinance No. 07-1108, §§ 1 and 2, adopted December 12, 2007 and
Ordinance 13-45, § 1, adopted September 25, 2013)

RATES: The following district heating rates shall be effective beginning with the billing month of **October 2022** and shall remain in effect until superseded:

Two-Part Rate:

Demand	\$6.03 per kilowatt per month
Energy	\$32.75 per megawatt-hour

Single Rate: \$0.0753 per kilowatt-hour

SNOWMELT DEMAND RATE: The Snowmelt Demand Rate is 50 percent of the Hot Water Demand Rate per kilowatt per month.

SECONDARY HEAT DEMAND RATE: The Secondary Heat Demand Rate is 50 percent of the Hot Water Demand Rate per kilowatt per month for Thermal Energy provided from the Hot Water return line or other heated water source.

TRANSITION RATE: The Transition Rate is the Single Rate charge per kilowatt-hour of energy usage, subject to utilization hour adjustments, due to exceptional circumstances where a Customer building is undergoing major modifications that substantially and temporarily reduce hot water service requirements, Customer and District Energy may agree to a single rate for the transition period.

PROMPT PAYMENT PROVISION: A charge of 5 percent will be added to the net bill computed at the rate shown above, which charge shall constitute a discount from the gross bill for payment within the discount period, all as more specifically provided in the Hot Water Delivery Agreement.

FUEL ADJUSTMENT: As provided in the Hot Water Delivery Agreement, the energy charge may be appropriately adjusted (i.e., spread over the remaining months in the fiscal year) from time to time during the fiscal year to cover cost increases (or decreases) occurring subsequent to the establishment of projected energy-related costs for such period regarding energy purchased by District Energy St. Paul, Inc. for the district heating service, to the extent such costs are in excess of (or below) those costs projected by District Energy St. Paul, Inc. in establishing the energy charge for such period.

SURCHARGE: A City fee surcharge of 8.7 percent will be included in the gross and net monthly bills computed under this rate schedule except as otherwise provided by law.

SERVICE CHARGES: The attached service charges shall be effective beginning with the billing month of October 2022 and shall remain in effect until superseded.

DISTRICT ENERGY ST. PAUL, INC.
District Heating Service Charges
Effective October 2022

Pursuant to Sections 8.2 and 8.5 of the Hot Water Delivery Agreement as amended, the following rates are established for performance of specific services more properly charged to an individual Customer than to all district heating Customers as a whole. Service charges are payable within 30 days of billing and are in addition to Demand Charges and Energy Charges.

1. **Restoration of district heating service after shutoff by District Energy:**

Customer demand under 100 kW: \$100.00
Customer demand 100 kW or over: \$500.00

2. **Damage to District Energy's district heating system equipment:**

Actual cost of repair or replacement as determined by District Energy plus service charge of \$100.00/hour.

3. **Unauthorized drainage of District Energy's district heating system water:**

The sum of the following:

- (a) Estimated quantity of water lost times combined water and sewage rate paid by District Energy during period of drainage;
- (b) Estimated heat value of water lost times applicable Energy Rate; and
- (c) Service charge of \$100.00/hour.

Note: Drainage of system water creates an unsafe condition and is cause for suspension of service until corrected.

4. **Service calls made at Customer's request by District Energy personnel for problems found to be in Customer's and not District Energy's district heating equipment:**

Between 8:00 a.m. and 3:30 p.m. on Monday through Friday (excluding holidays observed by District Energy):
\$100.00/hour

All other times: \$200.00/hour

5. **Charge for excess hot water return temperature above 160 degrees Fahrenheit during the billing periods from November through March:**

Hot Water return temperature in excess of 160 degrees Fahrenheit from a Customer's building indicates the building's heating systems are inefficiently utilizing the Hot Water thermal energy delivered by District Energy, increasing the amount of energy that must be delivered to the Customer's Point of Delivery by District Energy. If the temperature of Hot Water returned from Customer's Building Heating System to Customer's Point of Delivery exceeds 160 degrees Fahrenheit during the months of November through March, Customer's Demand Charge for such year may be increased by District Energy by an amount appropriate to reflect the increased rate of Hot Water delivered to Customer during such time.

**DISTRICT ENERGY ST. PAUL, INC. - HEATING SERVICES
RATE CALCULATIONS SUMMARY**

	ACTUAL FY-2021	FY-2022		BUDGET FY-2023	NET CHANGES			
		BUDGET FY-2022	FORECAST FY-2022		FY-23B (-) FY-22B	FY-23B (-) FY-22B %	FY-23B (-) FY-22F	FY-23B (-) FY-22F %
<u>DEMAND CHARGE CALCULATION</u>								
OPERATION & MAINTENANCE EXPENSES	\$4,801,794	\$5,173,237	\$5,261,010	\$5,531,034	\$357,797	6.9%	\$270,023	5.1%
GENERAL & ADMINISTRATIVE EXPENSES	2,360,821	2,506,179	2,421,750	2,582,869	76,690	3.1%	161,119	6.7%
NET CASH DEBT SERVICE	5,434,971	5,213,438	5,817,479	5,044,395	(169,043)	-3.2%	(773,084)	-13.3%
CHANGE IN ASSETS & LIABILITIES	(2,325,267)	(149,697)	(2,386,948)	(4,780,782)	(4,631,084)	3093.6%	(2,393,833)	100.3%
NET PLANT, PROPERTY & EQUIPMENT	1,299,673	607,408	2,404,467	3,736,000	3,128,592	515.1%	1,331,533	55.4%
BAD DEBT EXPENSE-DEMAND	13,439	15,000	43,471	0	(15,000)	-100.0%	(43,471)	-100.0%
FORFEITED DISCOUNTS-DEMAND	<u>(34,066)</u>	<u>(31,080)</u>	<u>(36,427)</u>	<u>(33,220)</u>	<u>(2,140)</u>	<u>6.9%</u>	<u>3,207</u>	<u>-8.8%</u>
TOTAL DEMAND RELATED COSTS	11,551,365	13,334,486	13,524,802	12,080,296	(1,254,190)	-9.4%	(1,444,506)	-10.7%
LESS: OTHER (REVENUE) OR COSTS	(902,174)	(903,926)	(995,775)	(601,522)	302,404	-33.5%	394,253	-39.6%
LESS: NEW DEBT	<u>1,813,455</u>	<u>0</u>	<u>276,326</u>	<u>1,808,994</u>	<u>1,808,994</u>	<u>-</u>	<u>1,532,668</u>	<u>554.7%</u>
NET DEMAND REVENUE REQUIREMENT	\$12,462,645	\$12,430,560	\$12,805,353	\$13,287,768	\$857,208	6.9%	\$482,415	3.8%
DIVIDED BY AGGREGATE DEMAND (KW)	184,468	178,600	183,985	183,634	5,034	2.8%	(351)	-0.2%
DIVIDED BY 12 EQUALS DEMAND RATE (\$/KW/MO)	\$5.63	\$5.80	\$5.80	\$6.03	\$0.23	4.0%	\$0.23	4.0%
% CHANGE VS. FY-22 BUDGET				4.0%				
<u>ENERGY CHARGE CALCULATION</u>								
FUELS, THERMAL ENERGY & OTHER	\$6,649,934	\$6,552,279	\$10,317,192	\$11,669,264	\$5,116,985	78.1%	\$1,352,072	13.1%
ENERGY (ASSESSMENT) / REFUND	106,778	0	84,631	0	0		(84,631)	-100.0%
ELECTRICITY	460,134	461,001	580,492	466,459	5,458	1.2%	(114,033)	-19.6%
BAD DEBT EXPENSE-ENERGY	29,139	15,000	62,429	15,000	0	0.0%	(47,429)	-76.0%
FORFEITED DISCOUNTS-ENERGY	<u>(34,066)</u>	<u>(31,080)</u>	<u>(36,427)</u>	<u>(33,220)</u>	<u>(2,140)</u>	<u>6.9%</u>	<u>3,207</u>	<u>-8.8%</u>
TOTAL ENERGY REVENUES	\$7,211,918	\$6,997,200	\$11,008,317	\$12,117,503	\$5,120,303	73.2%	\$1,109,186	10.1%
DIVIDED BY TOTAL ENERGY SALES	330,313	343,000	364,541	370,000	27,000	7.9%	5,459	1.5%
TOTAL ENERGY CHARGES (\$/MWH)	\$21.83	\$20.40	\$30.20	\$32.75	\$12.35	60.5%	\$2.55	8.5%
% CHANGE VS. FY-22 BUDGET			48.0%	60.5%				
<u>SINGLE RATE CALCULATION</u>								
DEMAND RATE (\$/KW/MO) X 12 / 1700	\$0.0397	\$0.0409	\$0.0409	\$0.0426	\$0.0016	4.0%	\$0.0016	4.0%
PLUS ENERGY CHARGES (\$/MWH) / 1000	<u>0.0218</u>	<u>0.0204</u>	<u>0.0302</u>	<u>0.0328</u>	<u>0.0124</u>	<u>60.5%</u>	<u>0.0026</u>	<u>8.4%</u>
EQUALS SINGLE RATE (\$/KWH)	\$0.0616	\$0.0613	\$0.0711	\$0.0753	\$0.0140	22.8%	\$0.0042	5.9%
% CHANGE VS. FY-22 BUDGET			16.0%	22.8%				