



DISTRICT ENERGY
ST. PAUL™

District Energy St. Paul, Inc.
Hans O. Nyman Energy Center
76 Kellogg Boulevard West
St. Paul, MN 55102-1611

Tel: 651.297.8955
Fax: 651.221.0353
www.districtenergy.com

August 18, 2011

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

Re: District Heating 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, 2011.

These rates were determined in accordance with the Hot Water Delivery Agreement and approved unanimously by District Energy's Board of Directors, including customer representatives, on June 17, 2011. As detailed on the enclosed exhibit, the new rates are:

Single Rate:		\$0.06279 per kilowatt-hour
Two-Part Rate:	Demand:	\$5.27 per kilowatt per month
	Energy:	\$25.59 per megawatt-hour

District Energy 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
Todd Hurley, Financial Services
Lori Lee, Financial Services
Sara Grewing, City Attorney
Matt Anfang, Saint Paul BOMA

District Energy Board
William Mahlum, Esq.
Andrew Kasid, District Energy
Joyce Anderson, District Energy

**DISTRICT ENERGY ST. PAUL, INC.
RATE CALCULATIONS SUMMARY**

	FY-2011			NET CHANGES								
	ACTUAL	BUDGET	FORECAST	BUDGET	FY-12B (-)	FY-11B	FY-12B (-)	FY-11B	FY-12B (-)	FY-11B	FY-12B (-)	FY-11B
	FY-2010	FY-2011	FY-2011	FY-2012	FY-12B (-)	FY-11B	FY-12B (-)	FY-11B	FY-12B (-)	FY-11B	FY-12B (-)	FY-11B
DEMAND CHARGE CALCULATION												
OPERATION & MAINTENANCE EXPENSES	\$4,533,675	\$4,338,607	\$4,334,867	\$4,433,881	\$95,275	\$95,275	2.2%	\$99,014	\$99,014	2.3%	\$99,014	2.3%
GENERAL & ADMINISTRATIVE EXPENSES	2,538,455	2,528,291	2,404,817	2,321,374	(206,917)	(206,917)	-8.2%	(83,443)	(83,443)	-3.5%	(83,443)	-3.5%
RESEARCH, DEVELOPMENT & ENGINEERING	88,043	126,100	58,620	44,500	(81,600)	(81,600)	-64.7%	(14,120)	(14,120)	-24.1%	(14,120)	-24.1%
NET CASH DEBT SERVICE	3,772,847	5,307,631	4,545,236	4,584,055	(723,576)	(723,576)	-13.6%	38,819	38,819	0.9%	38,819	0.9%
CHANGE IN WORKING CAPITAL	(3,382,003)	(4,102,949)	(3,330,184)	613,003	4,715,953	4,715,953	-114.9%	3,943,187	3,943,187	-118.4%	3,943,187	-118.4%
CAPITAL EXPENDITURES	4,349,727	15,506,803	5,272,296	4,523,816	(10,982,986)	(10,982,986)	-70.8%	(748,480)	(748,480)	-14.2%	(748,480)	-14.2%
BAD DEBT EXPENSE-DEMAND	14,637	50,000	20,616	20,000	(30,000)	(30,000)	-60.0%	(616)	(616)	-3.0%	(616)	-3.0%
FORFEITED DISCOUNTS-DEMAND	(50,052)	(49,540)	(42,065)	(49,930)	(390)	(390)	0.8%	(7,865)	(7,865)	18.7%	(7,865)	18.7%
TOTAL DEMAND RELATED COSTS	11,865,329	23,704,942	13,264,204	16,490,700	(7,214,242)	(7,214,242)	-30.4%	3,226,496	3,226,496	24.3%	3,226,496	24.3%
LESS: OTHER (REVENUE) OR COSTS	(1,101,336)	(1,239,842)	(2,146,191)	(1,117,100)	122,742	122,742	-9.9%	1,029,001	1,029,001	-47.9%	1,029,001	-47.9%
LESS: NEW DEBT	0	(11,453,000)	(232,000)	(4,275,000)	7,178,000	7,178,000	-62.7%	(4,043,000)	(4,043,000)	1742.7%	(4,043,000)	1742.7%
NET DEMAND REVENUE REQUIREMENT	\$10,763,993	\$11,012,100	\$10,886,013	\$11,098,600	\$86,500	\$86,500	0.8%	\$212,587	\$212,587	2.0%	\$212,587	2.0%
DIVIDED BY AGGREGATE DEMAND (KW)	183,061	177,500	175,468	175,500	(2,000)	(2,000)	-1.1%	32	32	0.0%	32	0.0%
DIVIDED BY 12 EQUALS DEMAND RATE (\$/KW/MO)	\$4.90	\$5.17	\$5.17	\$5.27	\$0.10	\$0.10	1.9%	\$0.10	\$0.10	1.9%	\$0.10	1.9%
% CHANGE VS. FY-11 BUDGET							1.9%					

ENERGY CHARGE CALCULATION												
FUELS, THERMAL ENERGY & OTHER ENERGY (ASSESSMENT) / REFUND	\$7,642,050	\$8,481,583	\$8,372,269	\$8,247,546	(\$234,037)	(\$234,037)	-2.8%	(84,613)	(84,613)	-1.5%	(124,723)	-1.5%
ELECTRICITY	100,495	(72,007)	15,304	(156,620)	(84,613)	(84,613)	117.5%	(171,924)	(171,924)	-1123.4%	(171,924)	-1123.4%
BAD DEBT EXPENSE-ENERGY	335,681	322,062	387,224	316,829	(5,233)	(5,233)	-1.6%	(70,395)	(70,395)	-18.2%	(70,395)	-18.2%
FORFEITED DISCOUNTS-ENERGY	17,983	30,000	20,135	20,000	(10,000)	(10,000)	-33.3%	(135)	(135)	-0.7%	(135)	-0.7%
TOTAL ENERGY RELATED COSTS	\$8,060,170	\$8,721,520	\$8,763,911	\$8,393,520	(\$328,000)	(\$328,000)	-3.8%	(3,214)	(3,214)	10.4%	(3,214)	10.4%
DIVIDED BY TOTAL ENERGY SALES	301,671	328,000	330,903	328,000	0	0	0.0%	(2,903)	(2,903)	-0.9%	(2,903)	-0.9%
ENERGY RATE (\$/MWH)	\$26.86	\$26.59	\$26.59	\$25.59	(\$1.00)	(\$1.00)	-3.8%	(\$1.00)	(\$1.00)	-3.8%	(\$1.00)	-3.8%
FUEL ADJUSTMENT RATE (\$/MWH)	(\$0.14)	\$0.00	(\$0.11)	\$0.00	\$0.00	\$0.00	-	\$0.11	\$0.11	-100.0%	\$0.11	-100.0%
TOTAL ENERGY CHARGES (\$/MWH)	\$26.72	\$26.59	\$26.48	\$25.59	(\$1.00)	(\$1.00)	-3.8%	(\$0.89)	(\$0.89)	-3.4%	(\$0.89)	-3.4%
% CHANGE VS. FY-11 BUDGET							-3.8%					

SINGLE RATE CALCULATION												
DEMAND RATE (\$/KW/MO) X 12 / 1700	\$0.0346	\$0.0365	\$0.0365	\$0.0372	\$0.0007	\$0.0007	1.9%	\$0.0007	\$0.0007	1.9%	\$0.0007	1.9%
PLUS ENERGY CHARGES (\$/MWH) / 1000	0.0267	0.0266	0.0265	0.0256	(0.0010)	(0.0010)	-3.8%	(0.0009)	(0.0009)	-3.4%	(0.0009)	-3.4%
EQUALS SINGLE RATE (\$/KW/H)	\$0.0613	\$0.0631	\$0.0630	\$0.0628	(\$0.0003)	(\$0.0003)	-0.5%	(\$0.0002)	(\$0.0002)	-0.3%	(\$0.0002)	-0.3%
% CHANGE VS. FY-11 BUDGET							-0.5%					

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)

RATES: The following rates shall be effective beginning with the billing month of October 2011 and shall remain in effect until superseded:

Single rate:	\$0.06279 per kilowatt-hour
Two-part rate:	
Demand	\$5.27 per kilowatt per month
Energy	\$25.59 per megawatt-hour

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

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., 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 2011 and shall remain in effect until superseded.

**DISTRICT ENERGY ST. PAUL, INC.
Service Charges Effective October 2011**

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 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 service after shutoff by District Energy:

Customer demand under 100 kW: \$50.00
Customer demand 100 kW or over: \$200.00

2. Damage to District Energy system equipment:

Actual cost of repair or replacement as determined by District Energy plus service charge of \$50.00.

3. Unauthorized drainage of District Energy 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 \$85.00/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 equipment:

Between 8:00 a.m. and 3:30 p.m. on Monday through Friday (excluding holidays observed by District Energy):
\$85.00/hour

All other times: \$125.00/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 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.