



September 18, 2025

TO: Mayor Melvin Carter
Members of the City Council

FROM: District Energy Rate Review Team
Laura Logsdon, Interim Director, Office of Financial Services
Sarah Brown, Treasurer, OFS
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Subject: Staff Report for Proposed District Energy St. Paul, Inc. Rates,
Effective for FY 2026

This memorandum provides an analysis of District Energy's proposed cooling and heating rate changes for fiscal year 2026, in accordance with the procedural requirements specified in District Energy's franchise agreements.

I. District Cooling Rates:

District Cooling proposes the following changes to Schedule A:

Demand Rate:

Increase from \$34.19 to \$34.53 per ton per month

Energy Rate:

Decrease from \$0.113 to \$0.110 per ton-hour

Transition Rate:

Remain flat at \$0.455 per ton-hour at 1200 utilization hours

All other service charges will remain at the 2025 levels as indicated in the attached District Cooling Schedule A.

Comparison of Cooling Rates: 2022– 2026

	Actual FY 2022	Actual FY 2023	Actual FY 2024	Forecast FY 2025	Budget FY 2026
Rates					
Demand (\$/ton/mo)	\$30.85	\$32.08	\$33.36	\$34.19	\$34.53
Energy (\$/ton hr)	\$0.103	\$0.108	\$0.110	\$0.099	\$0.110
Overall cost at 1200 hrs (\$/ton hr)	\$0.411	\$0.431	\$0.444	\$0.441	\$0.455
Increase as %					
Demand (\$/ton/mo)	2.76%	3.99%	3.99%	2.49%	0.99%
Energy (\$/ton hr)	22.62%	4.85%	1.85%	-10.00%	11.11%
Overall cost at 1200 hrs	7.03%	4.87%	3.02%	-0.68%	3.17%

The proposed District Cooling *average overall cost* (at 1200 utilization hours) shows an increase of 3.17% from forecasted 2025 to budgeted 2026.

The proposed *demand rate* increase is 0.99%. The demand rate covers operations and maintenance, general and administrative, research and development, debt and capital expenses. Total budgeted demand related costs are expected to increase by \$1,902,865.

The *energy rate* shows a 11.11% increase from 2025 to 2026. The energy rate is a pass through to the customer. The rate is based on the projected cost of electricity, which is the major fuel source for cooling. The 2025 budgeted rate is \$0.110.

The *average overall cost* increase (at 1200 utilization hours) of 3.17% is due to two factors. On the *demand rate* side, an increase in property and equipment, and operation and maintenance costs, are contributing to the increase. On the *energy rate* side, increases in the cost of electricity is contributing to the rate increase.

District Cooling Comparison to Similar Utility Provider

<u>FY2026 Cooling Cost</u>	<u>Cooling Cost*</u> <u>(\$ / Ton-Hour 1200 Hrs)</u>
Energy Park Utility	\$0.288
District Energy St. Paul - Cooling	\$0.445

*Excluding City fees and sales tax.

II. District Heating Rates:

District Heating proposes the following changes to Schedule A:

Single rate & Transition Rate:

Increase from \$0.0771 to \$0.758 per kilowatt hour

Two-part rate:

Demand rate increase from \$6.28 to \$6.63 per kilowatt per month

Energy rate increase from \$32.75 to \$29.00 per megawatt hour

All other service charges will remain at the 2025 levels as indicated in the attached District Heating Schedule A.

Comparison of Heating Rates: 2022 – 2026

	Actual FY 2022	Actual FY 2023	Actual FY 2024	Forecast FY 2025	Budget FY 2026
Rates					
Demand (\$/kW/mo)	\$5.80	\$6.03	\$6.28	\$6.44	\$6.63
Energy rate	\$30.55	\$33.73	\$26.70	\$28.75	\$29.00
Fuel adjustment rate	-	-	-	-	-
Total Energy (\$/MWh)	\$30.55	\$33.73	\$26.70	\$28.75	\$29.00
Single Rate (\$/KWH)	\$0.0715	\$0.0763	\$0.0708	\$0.0742	\$0.0758
Increase as %					
Demand (\$/kW /mo)	3.02%	3.97%	4.15%	2.55%	2.95%
Total Energy (\$/MWh)	39.95%	10.41%	-20.84%	7.68%	0.87%
Single Rate (\$/KWH)	16.07%	6.71%	-7.21%	4.80%	2.16%

The proposed District Heating *overall single rate* is projected to increase 2.16% between forecasted 2025 and budgeted 2026.

The proposed *demand rate* represents a 2.95% increase for budgeted 2026. The rate has remained relatively flat since 2013 except for 3-4% increases in 2022, 2023. The demand rate covers operations and maintenance, general and administrative, research and development, debt and capital expenses.

The budgeted *total energy rate* represents a 0.87% increase in 2026. The energy rate is a pass through to the customer. The rate is based, largely, on projected cost of fuels utilized. The cost of fuel is projected to be increasing by 4.5% from 2025 forecast.

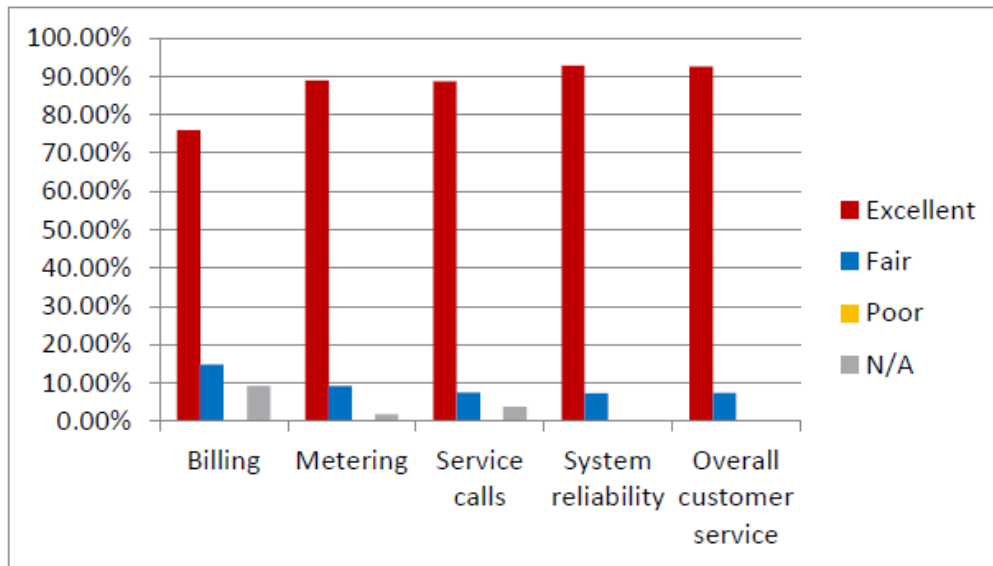
District Heating Comparison to Other Similar Utilities

<u>FY 2026 Heating Cost</u>	<u>Heating Cost*</u> <u>(\$ / MMBtu 1700 Hrs)</u>
Energy Park Utility Company	\$17.88
District Energy St. Paul - Heating	\$21.53

*Excluding City fees and sales tax.

III. Customer Survey

In 2025, District Energy conducted a customer satisfaction survey. The survey responses were generally positive, over 90% rated District Energy's overall customer service as excellent. While less than 60% of survey respondents rated billing as excellent in prior years, in 2025 District Energy customers rated billing highly, jumping up to 75% of respondents finding it excellent.



IV. Staff Recommendation

District Cooling:

From an internal perspective, looking at the City's own district cooling expense trend for the past five years (see table below), District Energy's requested rate increase does not seem unreasonable. The City's own trends in cooling costs are likely similar to District Energy's other customers. Given that customer survey results reflect that most customers are satisfied with the service, and given that the average rate increase request, over the past 5 years, at less than 3.48% is relatively small, staff recommends approval of the rate increase request.

City District Cooling Expenditures by Department:

Department	Description	2020	2021	2022	2023	2024
Police	Building Maint.	100,291.82	86,629.94	98,884.09	93,894.01	108,446.51
Fire	Station Maint.	30,634.89	30,239.74	33,405.12	40,480.24	35,821.07
Real Estate	Real Estate CHA	67,985.37	75,016.01	73,718.13	79,965.34	79,521.89
Library	Maint. Service	57,766.90	55,680.98	59,510.42	60,852.92	63,816.48
Total		256,678.98	247,566.67	265,517.76	275,192.51	287,605.95
% Change		11.33%	-3.55%	7.25%	3.64%	4.51%

District Heating:

From an internal perspective, looking at the City's own district heating expense trend for the past five years (see table below), District Energy's requested rate increase does not seem unreasonable. The City's own trends in heating costs are likely similar to District Energy's other customers. Although the average rate increase request is for 4.51%, over the past 5 years, it is related to increased energy costs. Despite this year, the annual heating average rate has been stable over the last several years, including rate cuts in 2019 and 2020. Given that customer survey results reflect that most customers are satisfied with the service, staff recommends approval of the rate increase request.

City District Heating Expenditures by Department:

Department	Description	2020	2021	2022	2023	2024
Police	Building Maint.	84,757.22	56,385.90	82,139.34	71,205.02	63,533.85
Fire	Station Maint.	36,079.47	33,810.57	41,537.92	34,968.33	35,669.35
Real Estate	Real Estate CHA	128,647.03	126,059.10	123,945.91	107,859.00	82,721.57
Library	Maint. Service	46,917.12	49,346.93	55,803.20	52,263.44	44,388.40
Total		296,400.84	265,602.50	303,426.37	266,295.79	226,313.17
% Change		7.50%	-10.39%	14.24%	-12.24%	-15.01%