



Legislation Text

File #: 18-0701R, **Version:** 1

RESOLUTION APPROVING DULUTH ENERGY SYSTEM THERMAL ENERGY HOT WATER RATE AND RATE CALCULATION METHODOLOGY FOR THE SYSTEM EXCLUDING EASTERN CANAL PARK.

CITY PROPOSAL:

WHEREAS, it is anticipated that the City's District Energy System ("DES") will soon commence provision of thermal energy in the form of hot water to the area encompassed by Phase One of the Superior Street Reconstruction Project and will be in need of an approved thermal energy rate for the provision of such energy to its customers; and

WHEREAS, Ever-Green Energy, Inc. ("EGE"), the city's manager of DES, has recommended a district hot water rate for customers connected to the hot water system of \$5.71 per million Btu for thermal energy service, not including customers of the Eastern Canal Park system; and

WHEREAS, EGE has recommended that the City Council approve the rate calculation methodology attached hereto as exhibit A; and

WHEREAS, pursuant to section 2.3.8 of the energy system management services agreement between the city and EGE bearing city contract no. 21646 (the "Contract"), the city council approves rates charged to customers for services provided under the Contract and the rate calculation methodology; and

WHEREAS, the city has determined that the proposed rate and methodology is reasonable and necessary to defray the costs of operating the subject system.

RESOLVED, that pursuant to section 2.3.8 of the Contract, the city council hereby approves the rate of \$5.71 per million Btu for hot water thermal energy services provided to customers connected to the DES, excluding the Eastern Canal Park Hot water system, and approves the rate calculation methodology attached as exhibit A.

STATEMENT OF PURPOSE: The purpose of this resolution is to approve the hot water rates for customers to be served by the DES as its main system come on line this fall and approving the rate calculation methodology to be used in applying those rates to each customer.

The methodology is designed to take into account the needs and usage of each individual property along with its history of energy usage and lay out the structure of how the rates for each of the three rate categories, Consumption Charges, Capacity Charges and Infrastructure Charges, are determined (a similar charging structure and calculation methodology is already in place for Steam).

Based on EGE's experience and general engineering principals, related to greater efficiency of the hot water system over the existing Steam system, the base rate is expected to be only 70% of that currently charged to property owners for the use of steam.