



Changes in Water & Electric Rates

At the Thursday January 24th meeting the Delano Water, Light and Power Commission voted to raise the water and electric rates and fees. This was not an easy or light decision for the 5 commission members, it was made out of necessity. We have all seen the news lately, the housing market is at its lowest level in decades, talks of recession and economic stimulus legislation. New home building has ground to a halt. This single item has the biggest impact on the customers of Delano Municipal Utilities. The population of Delano nearly doubled during the past decade, new homes popping up out of farm fields to the west. Our old water tower just couldn't keep up with demand. In 2002 we built a new 1.5 million gallon capacity water tower. It was a good thing that we did. In August 2004 our customers were using 1½ million gallons of water a day. That brought us to our next problem. Well capacity. If we were using that much water each day, it wasn't going to be long before we couldn't pull it out of the ground fast enough. In 2005 we began construction on a 4th well and a state of the art water treatment plant.

Those of us who have lived in town for a few years remember how rusty the water was. It smelled like iron and made our clothes dinghy. Now with virtually all the iron and manganese removed, plus the added benefit of arsenic being undetectable, our clothes are brighter, water filters last longer, and our water is all around healthier. That is the up side. The down side is that we still have to pay for these improvements. Projects like the northwest interceptor, a mile long water main under the Crow River for the new industrial park, the County Road 30 water main that ties the water treatment plant to the River St. main, and the northwest interceptor project, and the up and coming Hwy 12 water main project, creates a strain on our cash reserves.

When these projects were being planned, the engineers and consultants looked at the projected growth of the city and determined that the new homes and developments would be able to pay for their appropriate share of the improvements. That would have been true if the economy had stayed on track. Without the new homes and developments the income from permit fees has disappeared, but we still have to pay the bills. The Commission recognized this and has had to adjust the rates accordingly.

Please read the chart below for more information on how it will impact your water bill.



	2007	2008
Residential Customer Charge	\$8.22*	\$8.00
Commercial Customer Charge	\$8.22*	\$12.00
Industrial Customer Charge	\$8.22*	\$24.00
Usage Charge per 1000 gallons	\$2.74	\$3.93
* 2007 Includes 3000 gallon minimum		

Low Water Usage Residential Customer							
	2007			2008			
	Rate	Usage	Total	Rate	Usage	Total	
Customer Charge	\$8.22		\$8.22	\$8.00		\$8.00	
Usage Charge Per 1000 Gallons	\$2.74	1000	\$0.00	\$3.93	1000	\$3.93	
Total			\$8.22			\$11.93	
Difference to 2007 rates							\$3.71

Average Water Usage Residential Customer							
	2007			2008			
	Rate	Usage	Total	Rate	Usage	Total	
Customer Charge	\$8.22		\$8.22	\$8.00		8.00	
Usage Charge Per 1000 Gallons	\$2.74	6000	\$8.22	\$3.93	6000	\$23.58	
Total			\$16.44			\$31.58	
Difference to 2007 rates							\$15.14

The changes to the electric rates have a much smaller impact. Although there were changes to the electric rate, you shouldn't notice much of a difference on the electric portion of your bill. I'll start with the charts.

As you will see there was a scheduled 5% rate increase between 2007 and 2008. This rate increase was recommended by Springstead Inc., our financial consultants in 2005, to help keep up with the inflation. What was unknown in 2005 was just how volatile the electric market would become, but that is a story for another newsletter. Below is a chart comparing 2007, 2008 and the rate correction 2008+.

	2007	2008	2008+
Residential Monthly Minimum	\$5.18	\$5.44	\$5.44
Commercial Monthly Minimum	\$6.89	\$7.24	\$7.24
Industrial Monthly Minimum	\$22.93	\$24.08	\$24.08
Residential Energy Charge (KWh)	\$0.06880	\$0.07220	\$0.10220
Commercial Energy Charge (KWh)	\$0.0688	\$0.0722	\$0.10220
Industrial Energy Charge (KWh)	\$0.03837	\$0.04029	\$0.07029
Base Power Cost Adjustment	\$0.04000	\$0.04000	\$0.01000
Industrial Minimum Demand Charge (KW)	\$132.30	\$138.92	\$138.92
Excess Demand Charge (KW)	\$5.29	\$5.56	\$5.56

	2007			2008			2008 After Rate Correction		
	Rate	Usage	Total	Rate	Usage	Total	Rate	Usage	Total
Customer Charge			5.18			\$5.44			\$5.44
Residential	0.0688	700	\$48.16	0.0722	700	\$50.54	0.1022	700	\$71.54
PCA	0.04578	700	\$32.05	0.04578	700	\$32.05	0.01578	700	\$11.05
Total	0.11458		\$85.39	0.11798		\$88.03	0.11798		\$88.03
Difference 2007 to 2008			\$2.64	Difference 2008 to 2008 Rate Corrected			\$0		

You may be asking, "If there is no difference, then why make the changes?" The answer is simply to more accurately reflect our actual rates. The energy market made several major changes over the last two years, and this has increased our wholesale cost of energy. Our customers have seen the effects of this in the PCA charge on their bill. Since this trend is not likely to reverse, our rates needed to be adjusted to show our actual rates. The PCA charge typically is the fluctuation in our wholesale power costs and to protect the utility from unforeseen increases or decreases in our total operating cost in the utility. The PCA charge is used by many municipal, Cooperative electric, and investor owned utilities and is not unique to Delano. Interestingly, our first PCA of the year is a negative.

Through our agency, the Central Minnesota Municipal Power Association, we have been making many efforts to reduce our electric rates. We are in the final steps of negotiations with Xcel Energy to reduce our wholesale electric rate. In addition, we are fortunate to have invested in two new coal electric generation plants before the state legislature created legislation against utilities investing in coal power plants. Nebraska City II is expected to be online in early 2009, as well as Big Stone II in South Dakota, which is scheduled to be online in 2012. Also, we have invested in the CapX 2020 transmission line project which will deliver not only energy from Big Stone but energy from the proposed wind turbines in South Dakota. Each of these projects will reduce our wholesale costs for electricity. These savings will be passed on to our customers.

All of the Commissioners and many utility employees are customers of Delano Municipal Utilities. It is in the interest of everyone to see that the utility rates remain as low as possible. The Commission will be constantly monitoring both water and electric rates. As changes in the electric and housing markets improve, hopefully soon, we will adjust the rates accordingly. During the January 24th meeting, the consensus of the commission was that while we do not want to raise the rates, we have no choice but to be financially prudent and do just that. As always we appreciate the patience and understanding of all our customers.

