

September 16, 2026

Council President Rebecca Noecker
Council Vice President Hwa Jeong Kim
Councilmember Anika Bowie
Councilmember Saura Jost

Councilmember Molly Coleman
Councilmember Cheniqua Johnson

Re: Impacts to District Energy St. Paul based on the proposed Gas and Electric Franchise with St. Paul

Dear President Noecker and Councilmembers,

District Energy St. Paul ("District Energy") is submitting these comments for the Council's consideration of the new proposed electric and gas franchise agreement with Xcel Energy. District Energy is a nonprofit community energy provider, serving St. Paul for over 40 years. We operate the largest hot water district energy network in North America, providing reliable, affordable heating and cooling to more than 80% of downtown Saint Paul's commercial buildings, as well as residential communities.

As a nonprofit energy provider, the proposed increases would impact the cost-based rates that we charge to our customers, as the new proposed franchise fee rates would increase our costs. We believe that it was important that the Council understood these impacts on the City's District Energy customers.

District Energy Heating Services and Natural Gas Franchise Fees

District Energy purchases natural gas from Xcel Energy for its operations and pays natural gas franchise fees. Over the last 12 months District Energy has paid \$154,000 in natural gas franchise fees on the Xcel Energy utility invoices under the Large Interruptible Service rate category. We understand that the new proposed Franchise Agreement with Xcel Energy would raise the Large Interruptible Service franchise to 9.5%. The impact is significant. Based on the last 12 months of usage, that would increase District Energy's franchise fees by \$511,000 to \$665,000 and would increase the cost to District Energy's customers by approximately 2.7%. Expanding this analysis to other District Energy facilities in St. Paul, including Energy Park, the proposed increase to 9.5% would raise franchise fees on natural gas costs by \$538,000 systemwide, from \$162,000 to \$700,000.

District Energy Cooling Services and Electric Franchise Fees

Over the same 12-month period District Energy has paid \$230,000 in electricity franchise fees on Xcel Energy Utility invoices under the General Time of Day Service rate category. Increasing the franchise fee to the proposed 7.75% would increase District Energy's franchise fees by \$94,000, from \$230,000 to \$324,000 and would increase the cost to District Energy's customers by 1.3%. Expanding this analysis to other District Energy facilities in St. Paul including Energy Park, the increase to 7.75% would raise franchise fees in electricity costs by approximately \$100,000 systemwide, from \$250,000 to \$350,000.

Additional Customer Franchise Fee

Taken together, the proposed natural gas and electric franchise fee would increase the 12-month average franchise fee that District Energy pays by approximately \$638,000 per-year across our Saint Paul locations. It is also worth noting that District Energy customers pay an additional franchise fee as

District Energy St. Paul, Inc.

Impacts to District Energy Saint Paul based on the proposed Gas and Electric Franchise with St. Paul

Page 2

required by the District Energy Franchise Agreement with the City, which in effect is in addition to the underlying cost-based heating and cooling rates for service. When including the additional franchise fees due to the rate increase and the change to apply the natural gas franchise fee rate year-round to residential customers (approximately 20% of District Energy's heating customer base), the total increase in franchise fees is \$938,000.

We appreciate the Council's consideration of this information and are glad to provide additional detail on our cost methodology if it would be helpful.

Sincerely,



Andrew Kasid
Executive VP, CFO