



Approve Final 2023 Budget and Rates

RECOMMENDATION:

The General Manager respectfully requests the Commission approve the 2023 Moorhead Public Service Commission’s budgets and rates. The budgets include increases equivalent to an overall 2 percent for electric rates and an overall 4.5 percent increase in water rates. In addition, there are some minor changes to the electric surcharges assessed to customers residing in areas formerly serviced by Red River Valley Cooperative Power Association and Xcel Energy.

BACKGROUND:

Moorhead Public Service 2023 Budget and Rates

The Commission’s Budget Working Group, the Commission, and Moorhead Public Service (MPS) staff have reviewed and updated MPS’ proposed 2023 budget and rates in order to present these final recommendations. Capital projects, operating budgets, and transfers to the City of Moorhead (City) have been carefully reviewed in the budget compilation process in order to keep MPS’ 2023 rate increases to a minimum.

Electric Division

The 2023 proposed budget includes:

- Overall 2 percent increase in electric rates is included in the preliminary 2023 budget.
- 2023 electric operating revenue is projected to total \$43.2 million, which includes \$2.3 million in Transmission Cost Reimbursement that will offset MPS’ transmission charges.
- Total 2023 purchased power and transmission costs are projected at \$21.2 million, or \$872,000 above 2022 projections.

Power and Transmission	Projected 2022	Proposed Budget 2023
WAPA Power	\$5,424,000	\$6,292,357
MRES Power	12,266,000	12,270,000
SPP Transmission	2,649,000	2,649,000
TOTAL	\$20,339,000	\$21,211,357
2023 Compared to 2022 Projection		\$872,357
% Increase or Decrease =		4.29%

- The proposed 2023 Electric Division budget includes \$9.5 million in transfer payments to the City. this represents a 1.95 percent increase over 2022 projected transfer payments:

City Transfer	Projected 2022	Proposed Budget 2023
General Fund	\$7,225,000	\$7,350,000
Economic Development	50,000	50,000
Capital Improvement	1,997,000	2,053,000
TOTAL	\$9,272,000	\$9,453,000
2023 Compared to 2022 Projection		\$181,000
% Increase or Decrease =		1.95%

- Capital projects totaling \$16.1 million are included in the Electric Division’s proposed 2023 budget. The initial costs for the capital projects will be funded from operations, and \$6.4 million will be later reimbursed through bond proceeds.

- Electric reserves are projected at \$34.7 million, or 330 days of cash, by the end of 2023. This includes approximately \$11.5 million that will be used for a multi-year Automated Metering Infrastructure/Technology Implementation project beginning in 2023.

Water Division

The 2023 proposed budget includes:

Water Division:

- An overall water rate increase of 4.5 percent is proposed for 2023. The proposed water rate increase is intended to fund planned infrastructure improvements and recover increased operating expenses and ongoing debt service obligations.
- 2023 water operating revenue is projected at \$11.3 million—compared to 2022 projected revenues of \$10.8 million.
- \$691,000 in transfer payments to the City are included in the proposed 2023 Water Division budget.

City Transfer	Projected 2022	Proposed Budget 2023
General Fund	\$534,000	\$565,000
Capital Improvement	126,000	126,000
TOTAL	\$660,000	\$691,000
2023 Compared to 2022 Projection		\$31,000
% Increase or Decrease =		4.70%

- Capital projects totaling \$4.1 million are included in the Water Division’s proposed 2023 budget. The capital projects will be funded from operations.
- Water reserves are projected to be \$7.8 million, or 336 days of cash, by the end of 2023.

Total Residential Customer Impact

The proposed electric and water rate increases will increase an average residential customers’ monthly electric and water bill from \$136.33 to \$140.23—an increase of \$3.90, or 2.86 percent.

There are no updates to the 2023 Budget Binder.

KEY ISSUES:

- The Commission’s Budget Working Group, the Commission, and MPS staff continued to update MPS’ 2023 budget and rates.

FINANCIAL CONSIDERATIONS:

- An overall 2 percent electric rate increase is proposed.
- An overall 4.5 percent water rate increase is proposed.

Respectfully submitted,



Travis L. Schmidt
 General Manager

Division/Response Persons: Mark Moilanen, Finance Division Manager.

Attachments: None.