



Moorhead Public Service Commission

Agenda Item #16 – December 16, 2025

Approve Final 2026 Budget and Rates

RECOMMENDATION:

The General Manager respectfully requests the Commission approve the 2026 Moorhead Public Service Commission's budgets and rates. The budgets include increases equivalent to an overall 2.0 percent for electric rates and a 5.5 percent overall increase in water rates.

BACKGROUND:

Moorhead Public Service 2025 Budget and Rates

The Commission's Budget Working Group, the Commission, and Moorhead Public Service (MPS) staff have reviewed and updated MPS' proposed 2026 budget and rates in order to present these final recommendations. Capital projects, operating budgets, and transfers to the City of Moorhead (City) have been reviewed during the budget compilation process to minimize MPS' 2026 rate increases.

Electric Division

The 2026 proposed budget includes the following:

- An overall 2.0 percent increase in electric rates was included in the preliminary 2026 budget. No material changes have occurred after the preliminary budget that would require modifying the proposed rate increase.
- 2026 electric operating revenue is projected to total \$45.3 million, which includes \$2.1 million in Transmission Cost Reimbursement that will offset MPS' transmission charges.
- Total 2026 purchased power and transmission costs are projected at \$20.7 million, or \$521,000 above 2025 projections.

Power and Transmission	2025 Projection	2026 Proposed Budget
WAPA Power	\$6,633,000	\$6,844,000
MRES Power	11,199,000	11,393,000
SPP Transmission	2,315,000	2,431,000
TOTAL	\$20,147,000	\$20,668,000
2026 Budget Increase (Decrease) Over 2025 Projection =		\$521,000
% Increase (Decrease) Over 2025 Projection =		2.59%

- The proposed 2026 Electric Division budget includes \$9.8 million in transfer payments to the City. This represents a 1.75 percent increase over 2025 projected transfer payments:

Electric City Transfers	2025 Projection	2026 Proposed Budget
General Fund	\$7,600,000	\$7,725,000
Economic Development	50,000	50,000
Capital Improvement	2,030,227	2,074,716
TOTAL	\$9,680,227	\$9,849,716
2026 Budget Increase (Decrease) Over 2025 Projection =		\$169,489
% Increase (Decrease) Over 2025 Projection =		1.75%

- Capital projects totaling \$7.8 million are included in the Electric Division's proposed 2026 budget. The initial costs for the capital projects will be funded from operations, and \$1.53 million will be financed through bond proceeds received as part of a future bond issuance in 2026 or 2027.

- Electric reserves are projected to be \$35.75 million, or 337 days of cash, by the end of 2026. This will include approximately \$1.25 million to complete the multi-year Advanced Metering Infrastructure (AMI) Project, which aims to replace all electric and water meters by the end of 2026. The \$13.75 million AMI Project began in 2024.

Water Division

The 2026 proposed budget includes the following:

- After discussions with the Commission's Budget Working Group and based on the recommendations from the 2025 Water Rate Study for years 2026 through 2029, which was presented to the Commission on October 21, 2025, an overall rate increase of 5.5 percent is proposed for 2026.
- 2026 water operating revenue is projected to be \$12.9 million, which is approximately 6.2 percent above 2025 projected revenues of \$12.1 million.
- \$769,400 in transfer payments to the City are included in the proposed 2026 Water Division budget.

Water City Transfers	2025 Projection	2026 Proposed Budget
General Fund	\$604,510	\$643,390
Capital Improvement	126,000	126,000
TOTAL	\$730,510	\$769,390
2026 Budget Increase (Decrease) Over 2025 Projection =		\$38,880
% Increase (Decrease) Over 2025 Projection =		5.32%

- Capital projects totaling \$4.7 million are included in the Water Division's proposed 2026 budget. The capital projects will be funded through a combination of operating revenues, State of Minnesota grants, and final borrowing from the Electric Division to complete the multi-year AMI Project, which aims to replace all electric and water meters by the end of 2026. The \$13.75 million AMI Project began in 2024.
- Water reserves are projected to be \$8.1 million, or 309 days of cash, by the end of 2026.

Total Residential Customer Impact

The proposed electric and water rate increases will increase an average residential customer's monthly electric and water bill from \$148.77 to \$153.45—an increase of \$4.68, or 3.15 percent.

Attached are a customer comment email and MPS' response letter to the customer, which were provided to the Commission via email on November 18, 2025.

KEY ISSUES:

- After meeting with the Commission's Budget Working Group and using the recommendations from the 2025 Water Rate Study for years 2026 through 2030, the Commission and MPS staff propose overall rate increases of 2.0 percent for electric rates and 5.5 percent for water rates to ensure current and future financial stability.

FINANCIAL CONSIDERATIONS:

- An overall 2.0 percent electric rate increase is proposed.
- An overall 5.5 percent water rate increase is proposed.



Respectfully submitted,

A handwritten signature in black ink that appears to read "Travis L. Schmidt".

Travis L. Schmidt
General Manager

Division/Response Person: Mark Moilanen, Administration and Finance Manager.

Attachments:

Customer Comment Email and MPS' Response Letter

Cheryl Glasoe

From: Jeremy Pederson [REDACTED]
Sent: Sunday, October 26, 2025 7:01 AM
To: MPS
Subject: Utility rates

Follow Up Flag: Follow up
Flag Status: Completed

There's no wayyyyy this article is right!!!! You guys plan on raising our water tax percent by 16.5% over the next 3 years???? How is that fair? Sounds very extreme.

Sent from my T-Mobile 5G Device

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2901 South Frontage Road, Suite 2
P.O. Box 779
Moorhead, MN 56561-0779
Phone: 218.477.8000
Fax: 218.477.8020
www.mpsutility.com

November 18, 2025

VIA EMAIL ONLY

Mr. Jeremy Pederson

[REDACTED]
Moorhead, MN 56560
[REDACTED]

RE: Proposed 2026 Water Rate Increase

Dear Mr. Pederson:

Thank you for your comment regarding Moorhead Public Service's (MPS') proposed 5.5 percent overall water rate increase for 2026, and the projected 5.5 percent increases for 2027 and 2028. MPS understands that any rate increase affects its customers, and we appreciate the opportunity to explain the key factors driving these proposed changes.

Between 2021 and 2025, the cost of key water treatment chemicals increased by approximately 90 percent. This substantial escalation in chemical costs is attributed to ongoing supply chain challenges, higher production costs, and changes in the water quality of the Red River of the North, which requires more intensive treatment to meet State and Federal water quality standards.

In addition, state-mandated water treatment by-product disposal requirements have significantly increased operational costs. These regulations required MPS to finance and construct a \$7.3 million by-product press facility, used solely to convert water treatment waste into a semisolid form for transportation. The resulting material must then be hauled to another part of the state for land application or disposal. Over the past three years, transportation and disposal costs have averaged \$857,000 annually and are projected to exceed \$950,000 in 2025. These costs are expected to continue unless a permitted alternative use or beneficial application of the by-product becomes available. In 2024, the combined cost of chemicals and waste disposal accounted for approximately 25 percent of MPS' total water sales revenue.

A portion of the proposed water rate increase also supports critical infrastructure and operational improvements necessary to ensure the continued reliability, safety, and efficiency of Moorhead's water system, including:

- Replacing MPS' 70-year-old waterline connected to the Buffalo Aquifer MPS south wellfield, which is vital to the city of Moorhead's long-term water supply.
- Upgrading MPS' 30-year-old Water Treatment Plant equipment to enhance reliability, improve energy efficiency, and maintain compliance with modern treatment standards.
- Replacing approximately 1.25 to 1.5 miles of aging cast-iron watermain within the city of Moorhead to improve water flow, reduce maintenance costs, and prevent service interruptions.

Mr. Jeremy Pederson
November 18, 2025
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Additionally, approximately 1.5 percent of the 2026 water rate increase is attributed to the closing of Anheuser-Busch's malting plant, which was formerly a major industrial water and electric customer. The departure of this large customer reduced utility revenues that previously helped offset system-wide operating costs, requiring a rate increase to maintain financial stability and service reliability for all of MPS' customers.

The projected 5.5 percent annual increases through 2028 are intended to gradually fund necessary investments, preventing sudden rate spikes while supporting the replacement of aging infrastructure, maintaining regulatory compliance, and ensuring MPS can continue to provide safe, reliable, and affordable utility services to the Moorhead community.

Moorhead Public Service remains committed to transparency, fiscal responsibility, and long-term planning that supports both system reliability and community needs.

Sincerely,



Travis L. Schmidt, PE MBA
General Manager

TS/cag
cc: Mark Moilanen, MPS Administration and Finance Manager