



# Watt's News Watt's News

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Official Newsletter of Brainerd Public Utilities, PO Box 373, Brainerd, MN 56401

## Higher Purchase Power Costs are on the Way

Brainerd Public Utilities (BPU) is a full requirements customer of Minnesota Power (MP), which means BPU is contracted to purchase all of its power from MP. Over the years BPU has purchased fairly inexpensive power due to the fact MP invested heavily in coal generation plants in Northeast Minnesota in the 1970's.

MP's base rate to wholesale customers (which includes BPU) includes power generation costs of their own power plants. **When utilities, such as MP, find it necessary to purchase power from another generating facility at market rates, the difference between the market rate paid and the rate for its own generation is passed on to all retail and wholesale customers in the form of a power cost adjustment (PCA).** Utilities like MP are allowed to pass these costs on to its customers by the Minnesota Public Utilities Commission (MPUC) since the base rate charge, plus the additional charge up to the market rate paid, are deemed to be the actual cost of selling electricity to customers. All utility base rates charged by Minnesota investor owned utilities, such as MP, must be approved by the MPUC which is an expensive and time consuming process; therefore, large utilities like MP do not seek rate adjustments from the MPUC on an annual basis.

The combination of well maintained older coal generation plants, the use of low sulfur coal, and favorable railroad transportation contracts resulted in wholesale power costs ranging from 4 to 5 cents per kWh over the past several years. As you may be aware, no new large scale electric generation plants have been constructed in Minnesota since the 1970's. Recently the taconite operations have resumed production in Northeast Minnesota along with an increase in other customer electrical demand.

Currently MP has Boswell No. 3 generating station offline for scheduled maintenance. As well, Boswell No. 4 generating station is offline for significant unexpected equipment repairs. This has resulted in MP purchasing approximately 800 megawatts of power on short term

contracts, or the daily market from another generating facility located outside of the State.

Utilities, such as MP or BPU, don't have the luxury of deciding whether to purchase power on the open market on a given day. MP is required to purchase enough power on an hourly basis in order to meet the electric demands of its retail and wholesale customers.

All of what has been mentioned above means BPU customers will pay significantly more for purchased power in future months. During the past few months the BPU Commission has attempted to stabilize the PCA by setting a level PCA rate. For six months, starting in September 2006, the PCA rate was 8/10 of a cent per kWh; in March 2007 the PCA rate was adjusted upward to 1.2 cents per kWh for three months. In June the Commission will make the difficult decision of increasing the PCA rate to somewhere in the range of 2 cents per kWh. To the average residential customer who uses 1,000 kWh per month, the PCA charge went from \$8 per month, to \$12 per month in March, to approximately \$20 per month beginning in June.

The PCA is only one component of the electric bill. Currently the BPU Commission is performing a rate study related to distribution charges and significant electrical infrastructure upgrades to the substation and distribution system that will be made in the next couple of years.

It should be noted that MP will be spending approximately \$200 million to make environmental changes to its existing power plants. MP is making significant investments in additional windpower facilities in the upper Midwest and is also investing in biomass energy projects here in Minnesota. Eventually these infrastructure costs will be included as part of rate case before the MPUC in the near future.

(Continued on following page)

## Higher Purchased Power Costs are on the way (Continued from front page)

Also, if and when a new power plant is built in Minnesota, the estimated cost to customers will be approximately 10 to 12 cents per kWh. Meeting the new renewable energy mandate requirements in Minnesota will also need to be factored into customer bills.

As you can see, the electric industry is changing in Minnesota and our days of purchasing fairly inexpensive power are over. We need to prepare ourselves for significant price adjustments. Many municipal utilities, similar to BPU, are facing the same issues pertaining to selling power at an affordable rate to their customers.

Your living is determined not so much by what life brings to you as by the attitude you bring to life; not so much by what happens to you as by the way your mind looks at what happens.

Circumstances and situations do color life but you have been given the mind to choose what the color shall be.

**John Homer Miller**

## Moving



If you are moving, please notify our office at 825-3200 at least a day in advance to have your meters read for your final bill. Also have your forwarding address ready to give to us.

BPU requires an application for service to be filled out if you are beginning service with us or transferring service in our service area. The application is on our website at [www.bpu.org](http://www.bpu.org). We can also mail the application to you. We will not read the meters until we have received the completed application.

## Cooling Tips

An easy energy saving tip is to install a programmable thermostat that will automatically adjust the temperature according to your schedule. It'll pay for itself in less than a year.

When buying an air conditioner, don't over-size it. Select the proper size and choose an energy-efficient model. Install your air conditioning compressor in a shady spot. It'll work more efficiently.

Major appliances add extra heat to your home and make your air conditioner work harder. Operate them in the morning or evening when it's cooler outside.

Closing the doors and shutting the vents in the rooms you don't use is an easy energy saving tip.

## Watt's Weather

### Total Precipitation

April 2007 11.96"  
April 2006 2.07"

### Average

### Temperatures

April 2007 Hi 54 Lo 28  
April 2006 Hi 63 Lo 34



**Business Office Hours 7:00 a.m.—3:30 p.m.**  
218-829-8726

**Repair/Service Operations Office Hours 7:00 a.m.—3:30 p.m.**  
218-829-2193

**Emergency 24 hour service 365 days a year**  
218-829-2193

**EMAIL@BPU.ORG**

**WWW.BPU.ORG**

## NOTICE:

All electrical work performed in the City of Brainerd requires a "Request for Electrical Inspection" form to be completed, filed, and work inspected by our inspector. If you need the form or have any questions, please contact BPU at 825-3210 or 829-2193.

## BEFORE DIGGING:

Call Gopher State One Call at 1-800-252-1166 for water and electric locations. All requests for locations must be made by calling the above toll free number at least **48 hours** before digging begins.