

Date: December 12th, 2005

To: **Municipal Building Commission Board:**

Commissioner Randy Johnson, President
Mayor R.T. Rybak, Vice President
Commissioner Peter McLaughlin

From: José Cervantes

Subject: **NRG Energy Center Contract**
Agenda Item: 8

Steam for the heating of the City of Minneapolis' Public Service Center (PSC) is presently billed on the MBC's invoice from the Minneapolis Energy Center (NRG.)

MBC staff has researched this issue and concluded that there are technical and legal reasons that make separating the invoice desirable for the MBC and the City of Minneapolis. The following are highlights of these conclusions:

1. Economies of scale offered by the combined invoice are effectively offset by complex billing systems that complicate verification of energy consumption and demand.
2. The MBC is implementing a City Hall/Courthouse Temperature Guideline Policy to off set projected increases in energy cost. Under the current joint invoice, the MBC cannot monitor and manage the PSC's demand and consumption and this undermines the MBC's ability to reduce energy. In order to promote energy management at the City Hall/Courthouse, the buildings should be on separate invoices.
3. From a liability perspective, neither the MBC nor the City of Minneapolis should become involved in a legal dispute that does involve them.

Accordingly, staff is requesting that the MBC Board direct staff to notify the City of the MBC's intention to remove the PSC from the MBC's NRG bill. In addition, MBC staff is directed to request NRG to remove the PSC from the MBC's invoice. The separate invoices shall be established by June 30, 2006.