



Department Source: City Utilities - Water and Light

To: City Council

From: City Manager & Staff

Council Meeting Date: August 6, 2018

Re: Amending Chapter 27 of the City Code as it relates to electric rates

Executive Summary

Staff has prepared for Council consideration an ordinance amending Chapter 27 of the City Code as it relates to rates charged by the electric utility.

Discussion

Part of Chapter 27 of the City Code governs the charges paid by customers of the electric utility. A two and half percent increase in revenue from electric fees is proposed for the Fiscal Year 2019 budget year. Increases by customer class will vary and are based on cost-of-service analysis. The increase is necessary to address operation and maintenance costs and to maintain cash reserve levels and adequate debt coverage.

Below are proposed section changes with a brief discussion of the proposed change. The proposed revenue increase from each customer class is different based on a previous cost-of-service analysis.

Total revenue increase from the residential customer class is estimated at 2.5%. The average residential customer uses 718 kWh per month and will see an increase of approximately \$2.02 per month on their utility bill.

Sec. 27-112 (c) (1) – increases the residential customer charge, for a standard electric meter from \$15.91 per month to \$16.31 per month. The residential customer charge, for a non-standard electric meter, is increased from \$21.01 per month to \$21.54 per month.

Sec. 27-112 (c) (2) – proposal will change residential kWh rates as follows:

1. Increases the per kWh charge for the first 300 kWh's of usage, in summer and non-summer months, from 7.67 cents per kWh to 7.86 cent per kWh.
2. Increases the per kWh charge for the next 450 kWh's of usage, in summer and non-summer months, from 10.00 cents per kWh to 10.25 cents per kWh.
3. Increases the per kWh charge for the next 1,250 kWh's of usage, in summer and non-summer months, from 13.63 cents per kWh to 13.97 cents per kWh.
4. Increases all remaining kWh in summer (above 2,000 kWh) from 14.74 cents per kWh to 15.11 cents per kWh.
5. Increases all the remaining kWh in non-summer (above 750 kWh) from 11.55 cents per kWh to 11.84 cents per kWh.
6. Increases the per kWh charge for the first 300 kWh's of usage for residential electric heating in non-summer from 7.67 cents per kWh to 7.86 cents per kWh.



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7. Increases the per kWh charge for the next 450 kWh's of usage for residential electric heating in non-summer from 10.00 cents per kWh to 10.25 cents per kWh.
8. Increases all the remaining kWh for residential electric heating in non-summer (above 750 kWh) from 9.61 cents per kWh to 9.85 cents per kWh.

Sec. 27-112 (d) – Makes the “residential heat pump rate” part of Sec 27-112 instead of separated into Sec. 27-113.

1. All rate changes outlined in Sec 27-112 apply to heat pump customers except:
2. Increases all the remaining kWh in non-summer (above 750 kWh) from 9.11 cents per kWh to 9.34 cents per kWh.

Sec. 27-112 (e) – Changes section letter from (d) and defines the Minimum charge as the applicable customer charge.

1. Increases the minimum monthly customer charge from \$15.91 per month to \$16.31 per month.
2. Increase the minimum monthly customer charge for customer with a non-standard electric meter from \$21.01 per month to \$21.54 per month.

Sec. 27-112 (f) & (g) – Changes section letters due to insertion of new section (d)

All of Sec. 27-113 is eliminated and incorporated into Sec. 27-112

Total revenue increase from the small general service customer class is estimated at 3.68% and moves these rates towards cost of service.

Sec. 27-114 (c) (1) – increases the customer charge, for single-phase service, from \$15.91 per month to \$16.51 per month (3.77%) for small general service customers and increases the customer charge, for three-phase service, from \$26.22 per month to \$27.20 per month (3.74%) for small general service customers.

Sec. 27-114 (c) (2) – proposal will change small general service kWh rates as follows:

1. Increases in the per kWh charge for the first 500 kWh's of usage, in summer and non-summer months from 8.16 cents per kWh to 8.47 cents per kWh (3.79%).
2. Increases the summer per kWh charge for the next 1,000 kWh (above 500) from 10.4 cents per kWh to 10.79 cents per kWh (3.75%).
3. Increases all remaining kWh in summer (above 1,500 kWh) from 14.35 cents per kWh to 14.89 cents per kWh (3.76%).
4. Increases all the remaining kWh in non-summer (above 500 kWh) from 10.4 cents per kWh to 10.79 cents per kWh (3.75%).

Sec. 27-114 (d) – applies the same per kWh increases to electric heating small general service customers as in Sec. 27-114 (c)(2) except the non-summer all remaining kWh (above 500 kWh) is increased from 9.59 cents per kWh to 9.93 cents per kWh (3.5%).



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Sec. 27-114 (e) – applies the same per kWh increases to high efficiency heat pump small general service customers as in Sec. 27-114 (c) (2) except the non-summer all remaining kWh (above 500 kWh) is increased from 9.04 cents per kWh to 9.36 cents per kWh (3.5%).

Sec. 27-114 (f) – changes the Minimum bill, for single-phase service from \$15.91 to \$16.51 per month (3.77%) and the Minimum bill, for three-phase service from \$26.22 to \$27.20 per month (3.74%)

Sec. 27-114 (l) – this section allows small general service customers to voluntarily select a demand rate instead of an energy only rate. The three subsections are increased as follows:

1. Increase the customer charge from \$45.90 to \$47.05 per month (2.5%).
2. Increase the demand charge in summer from \$15.91 per kW to \$16.31 per kW (2.5%) and increases the demand charge in non-summer from \$12.75 per kW to \$13.07 per kW (2.5%).
3. Increases the energy charge in summer from 5.74 cents per kWh to 5.88 cents per kWh (2.4%) and increases the energy charge in non-summer from 5.00 cents per kWh to 5.13 cents per kWh (2.6%).

Total revenue increase from large general service customer class is estimated at 0.5%.

Sec. 27.116 (c) – the large general service rate applies to all non-residential customers that fall within a summer demand range greater than 25 kW and less than 750 kW, unless the customer qualifies for and has volunteered for another applicable rate. The three subsections are increased as follows:

1. Increases the customer charge from \$45.90 per month to \$46.13 per month (0.5%).
2. Increases the minimum demand charge in summer from \$367.20 per month to \$369.04 per month (0.5%) and increases the minimum demand charge in non-summer from \$275.40 per month to \$276.78 per month (0.5%). Increases the demand charge, for all kW greater than 25kW, in summer from \$15.91 per kW to \$15.99 per kW (0.5%) and increases the demand charge, for all kW greater than 25 kW, in non-summer from \$12.75 per kW to \$12.81 per kW (0.5%).
3. Increases the energy charge in summer from 5.74 cents per kWh to 5.77 cents per kWh (0.5%) and increases the energy charge in non-summer from 5.0 cents per kWh to 5.03 cents per kWh (0.6%).

Total revenue increase from the industrial customer class is estimated at 5.5% and moves these rates towards cost of service.

Sec. 27-117 (c)(1) – the industrial service rate applies to all non-residential customers that exceed 750 kW during summer season, unless the customer qualifies for and has volunteered for another applicable rate. The three subsections are increased as follows:

1. Increases the customer charge from \$153.00 per month to \$161.45 per month (5.5%).
2. Increases the minimum demand charge in summer from \$15,835.50 per month to \$16,705.93 per month (5.5%) and increases the minimum demand charge in non-



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summer from \$12,622.50 per month to \$13,316.74 per month (5.5%). Increases the demand charge, for all kW greater than 750 kW, in summer from \$21.11 per kW to \$22.27 per kW (5.5%) and increases the demand charge, for all kW greater than 750 kW, in non-summer from \$16.83 per kW to \$17.76 per kW (5.5%).

- Increases, the energy charge in summer from 4.82 cents per kWh to 5.09 cents per kWh (5.6%) and increases the energy charge in non-summer from 4.12 cents per kWh to 4.35 cents per kWh (5.6%).

Fiscal Impact

Short-Term Impact: Increase revenue by 2.51%, from fees charged, over Fiscal Year 2018 rate.

Long-Term Impact: Increase revenue by 2.51%, from fees charged, over Fiscal Year 2018 rate.

Strategic & Comprehensive Plan Impact

Strategic Plan Impacts:

Primary Impact: Not Applicable, Secondary Impact: Secondary, Tertiary Impact: Tertiary

Comprehensive Plan Impacts:

Primary Impact: Not Applicable, Secondary Impact: Secondary, Tertiary Impact: Tertiary

Legislative History

| Date | Action |
|------|--------|
| N/A | N/A |

Suggested Council Action

Staff recommends that Council amend Chapter 27 as outlined in the accompanying ordinance.