



City of Grand Island

Tuesday, May 15, 2012

Study Session

Item -2

Analysis of Utility Rates for City / Non-City Customers

Staff Contact: Tim Luchsinger

Council Agenda Memo

From: Timothy Luchsinger, Utilities Director

Meeting: May 15, 2012

Subject: Analysis of Utility Rates for City / Non-City Customers

Item #'s: 2

Presenter(s): Timothy Luchsinger, Utilities Director

Background

The Utilities Department provides electricity in its State-established service area, which extends beyond the City limits. Water has traditionally been offered only to customers within the City limits, but has been provided on a limited basis to areas affected by groundwater quality issues. There are currently no differential utility rates for City/non-City customers. Council requested a review of cost of service and survey of other municipal utilities to determine whether a surcharge or other means of rate adjustment is warranted.

Discussion

The impact of the costs of services provided to utility customers outside of the Grand Island city limits is minimal or undetermined, as well as the contribution received by the resulting revenue. Other municipal utilities may have a higher utility rate for out-of-town or suburban, customers, but appear to have been set for other benefits or costs determined by policy makers in those areas. The results of the Department's analysis will be presented with the attached slides for further discussion by Council.

Conclusion

This item is presented to the City Council in a Study Session to allow for any questions to be answered and to create a greater understanding of the issue at hand. Council may request further action for their consideration at a scheduled meeting.

Analysis of Utility Rates
for
City / Non-City Customers
City Council Study Session

Rate Analysis

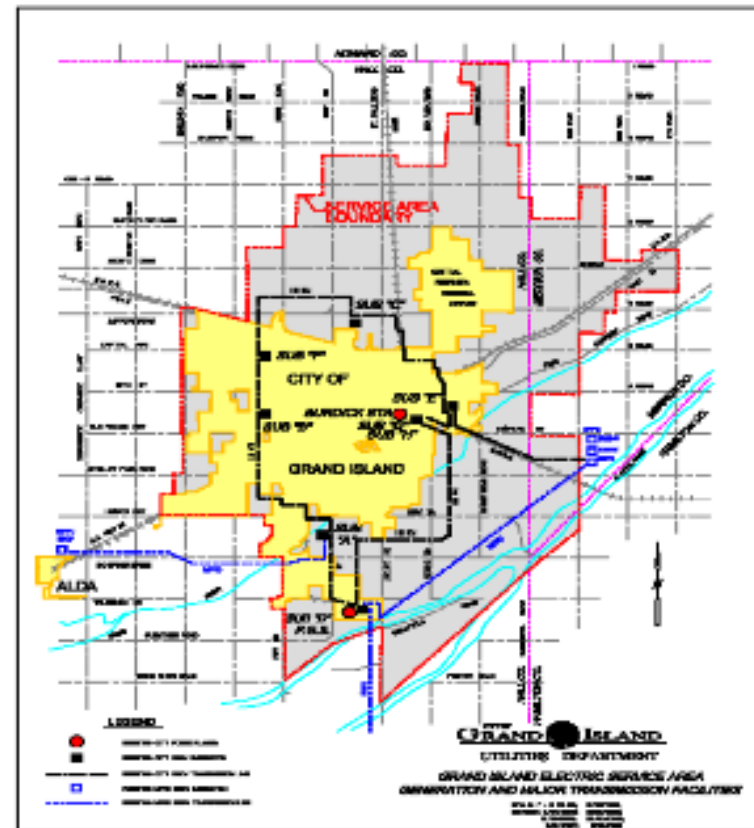
- Urban (Inside City limits) / Suburban (Outside City limits)
- Cost of Services
- Comparison with other municipal utilities

A map of Georgia divided into numerous irregular regions representing different electric utility service territories. Each territory is labeled with its name, such as "Atlanta Edison Electric Co.", "Georgia Power Co.", "Southern Bell Telephone & Telegraph Co.", etc. The map shows the geographical distribution of various utilities across the state.

Grand Island

Electric Service Area

- Established in 1964
- Determined by Nebraska Power Review Board
- Newly annexed areas must be requested to be added by electric utility within one year of annexation
- Local governing bodies set rates




Outside of City Limits – Electric System



- 2000 of 24,600 (8%) of electric customers are outside of City limits
- \$260,000 of \$55,000,000 (0.5%) of electric revenue is from sales outside of City limits
- 112 miles of 459 miles (24%) of electric circuits are outside of City limits
- 10% of annual line maintenance budget is for lines outside of City limits

Suburban Charges – Electric System (NE municipalities over 10,000 pop.)

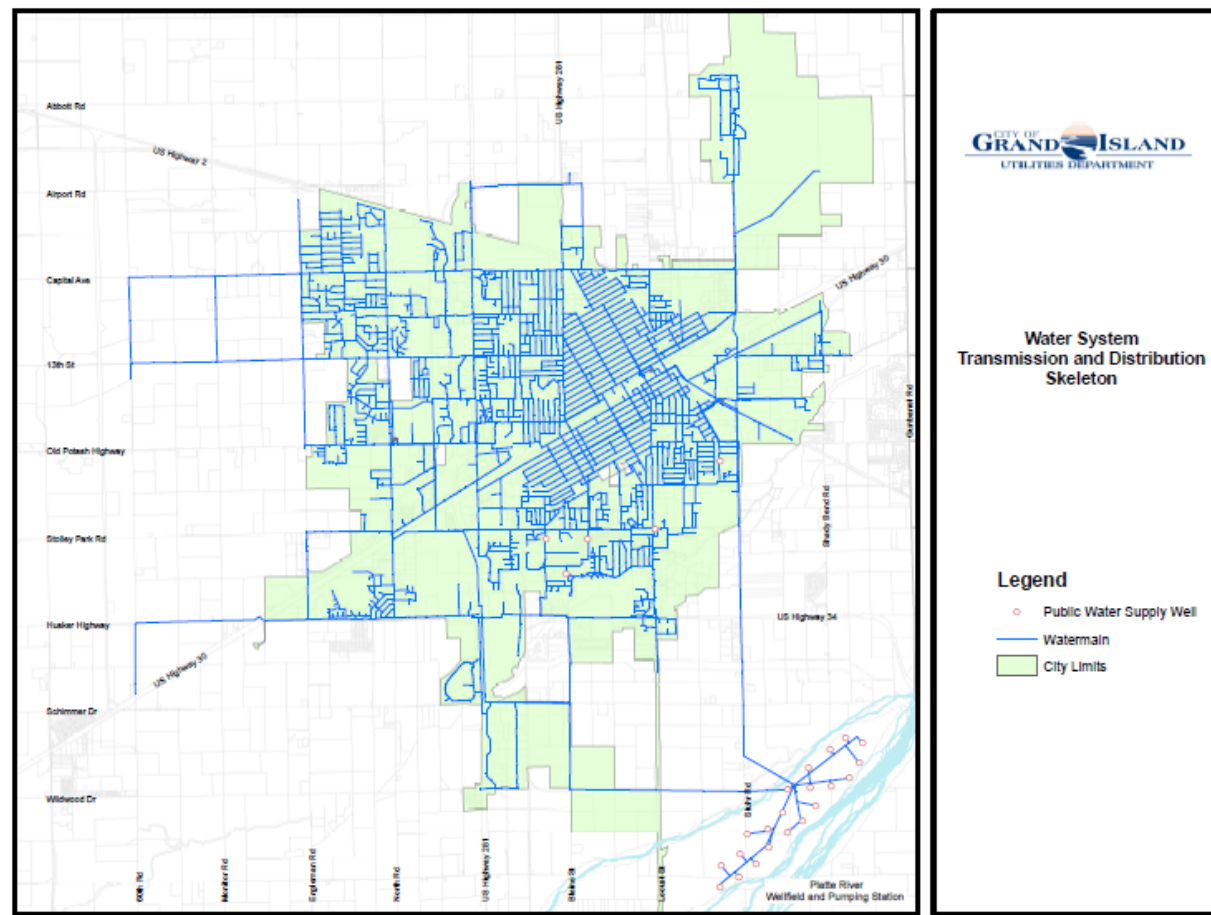
Fremont

-  10% higher for residential single phase under ten horsepower

Hastings

-  91% higher customer charge
-  21% higher energy rate

Water System Overview



Outside of City Limits – Water System

- 85 of 15,800 (0.5%) of water customers are outside of City limits
- \$38,000 of \$4,200,000 (0.9%) of water revenue is from sales outside of City limits
- 13 miles of 278 miles (5%) of water distribution lines are outside of City limits

Suburban Charges – Water System (NE municipalities over 10,000 pop.)

- Half of surveyed municipalities have no difference in rates
- Those establishing different rates varied from 25% to 100% of the urban rate

Other Considerations

- All utilities customers contribute to City general fund by Utilities Department in-lieu-of-tax payment
- Suburban customers do not pay 1.5% City sales tax on utility bills (~ \$4,500 annually)
- Primary motive for annexation has been fire protection

Other Considerations (cont.)

- Electric distribution expense was \$3,000,000 of \$56,000,000 (5.3%) total electric expense in 2011
- Water distribution expense was \$920,000 of \$5,000,000 (18.6%) total water expense in 2011

Summary

- Out-of City utilities revenues are less than 1% of total revenues
- Cost of electricity and water production and administrative costs are independent of customer location
- Distribution expense is a minor component of total utilities expense

Discussion

- Minimal impact on overall revenues, costs to Utilities Department
- Other City resources – Benefits? Costs?
- Annexation implications – Desired? Feasible?
- Urban/suburban rates established by policy issues?