



City of Grand Island

Tuesday, August 28, 2007

Council Session

Item F1

#9133 - Consideration of Electric Utility Rate Increase

Staff Contact: Gary R. Mader

Council Agenda Memo

From: Gary R. Mader, Utilities Director

Meeting: August 28, 2007

Subject: Electric Rates

Item #'s: F-1

Presenter(s): Gary R. Mader, Utilities Director

Background

From 1980 to 2005 the Electric Utility did not increase electric rates, but after 25 years, rate increases became necessary as operating costs and equipment costs began to increase rapidly. The costs of transformers, power cable, and other basic electric system components increased from 40% to over 100% in a relatively short period in the early 2000's. The materials cost increases along with increasing fuel costs necessitated electric rate increases. Last year rates were increased \$0.007 per Kilowatt Hour (kWH), which increased a 1000kwh residential electric bill by \$7.00 per month.

Discussion

At the time of Council's deliberations concerning that needed increase, there was discussion that the Council would prefer that rate increases be more spread out over longer time frames so as to lessen the impact on customers.

During this year's budget preparation period, Utility and Finance staff reviewed the possibility of utilizing small, incremental rate changes based on a general evaluation of the current economic conditions affecting the costs incurred to operate the Electric System. Equipment costs continue to increase. Fuel costs for Department power plants, trucks and equipment remain high and major, costly projects, such as the Mercury control, are recently initiated. These and other factors, led to the conclusion that the costs to operate, maintain, improve, and expand the electric system will likely continue to increase in the near future.

During last year's discussions of increasing costs, the recent pricing history of several of the Departments routine materials purchases were tracked on graphs; aluminum power conductors, transformers, copper power conductors and PVC conduits. Increased costs over the 2001 to 2006 time frame ranged from 38% for a 15 kVA pole mount transformer

to 148% for 2" PVC conduit.

Those materials costs graphs have been updated to include the last year's, '06 – '07, cost data and are attached for reference. Over the last year, most materials costs have continued to increase substantially. The range for the selected items was from slightly less cost for PVC conduit to a 97% increase for 25 kVA padmount transformers. Therefore, in response to continued uptrending costs, and the Council's expressed interest in smoothing rate increases, the Department would recommend a \$0.001 per kWh increase in electric rates for the '07-'08 fiscal year. That increase would raise a 1000 kW residential bill by \$1.00 per month.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

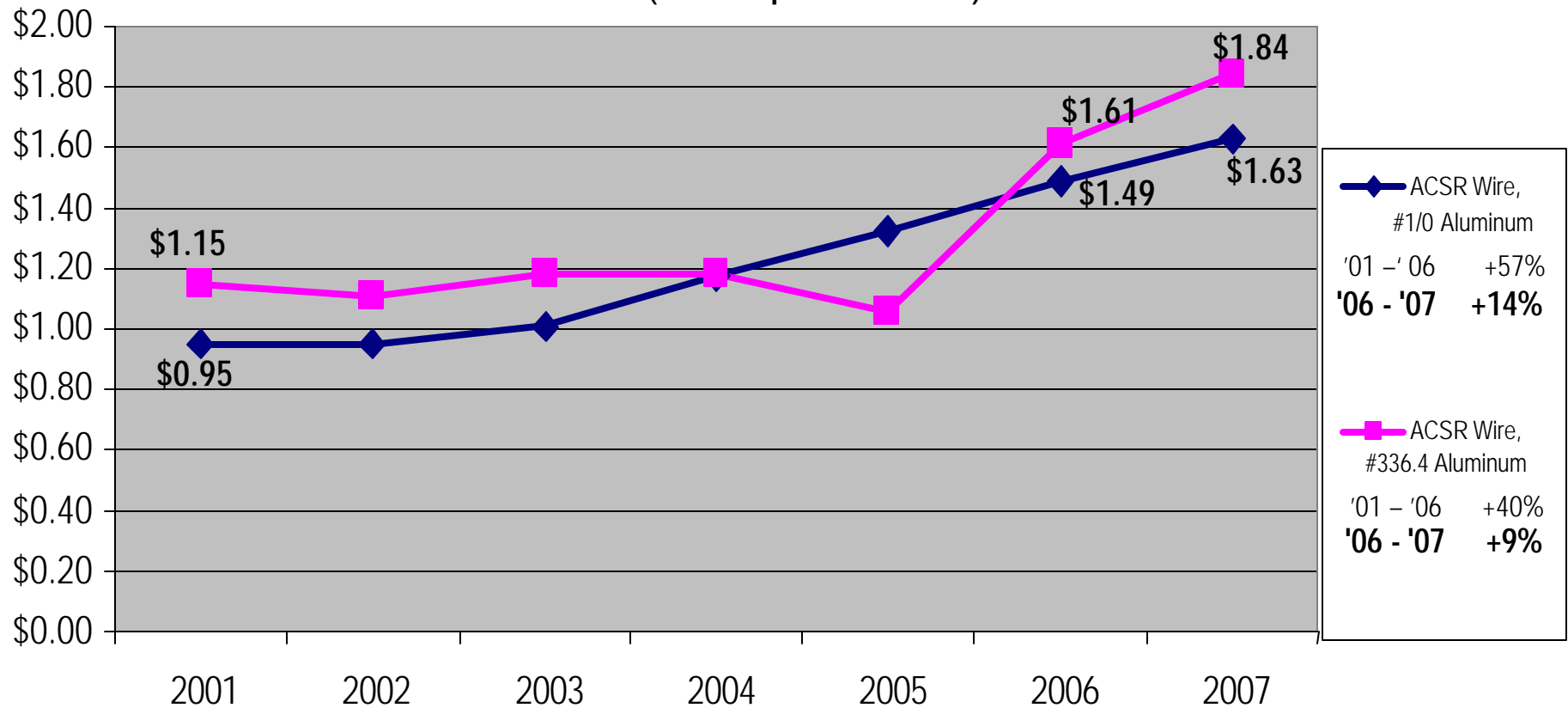
Recommendation

City Administration recommends that the Council approve the implementation of an electric rate increase of \$0.001 per kWh.

Sample Motion

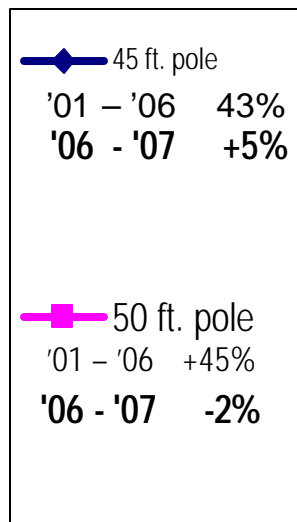
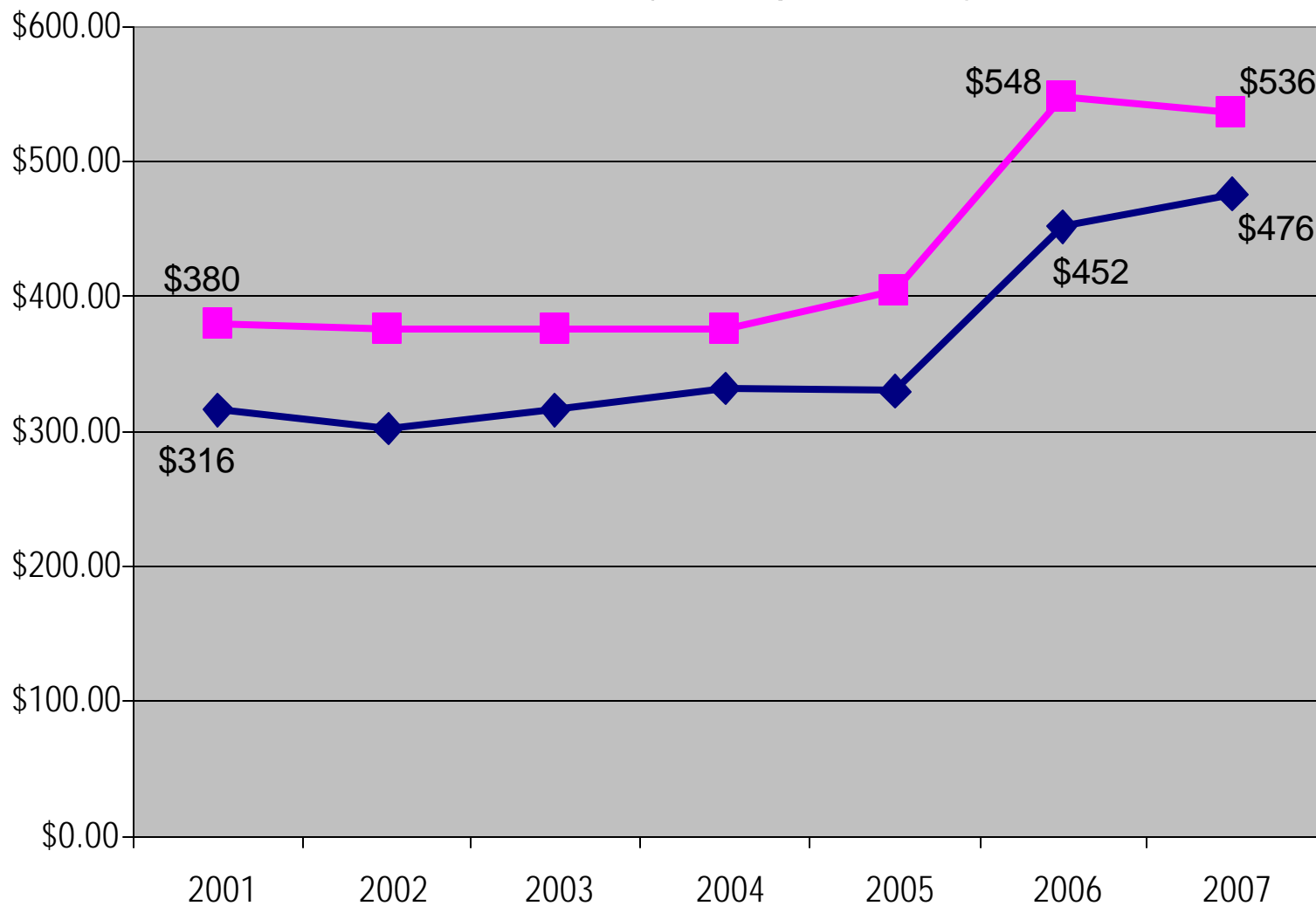
Motion to approve Ordinance # 9133 to implement a \$0.001 per kWh electric rate increase.

Aluminum Wire (Price per Pound)



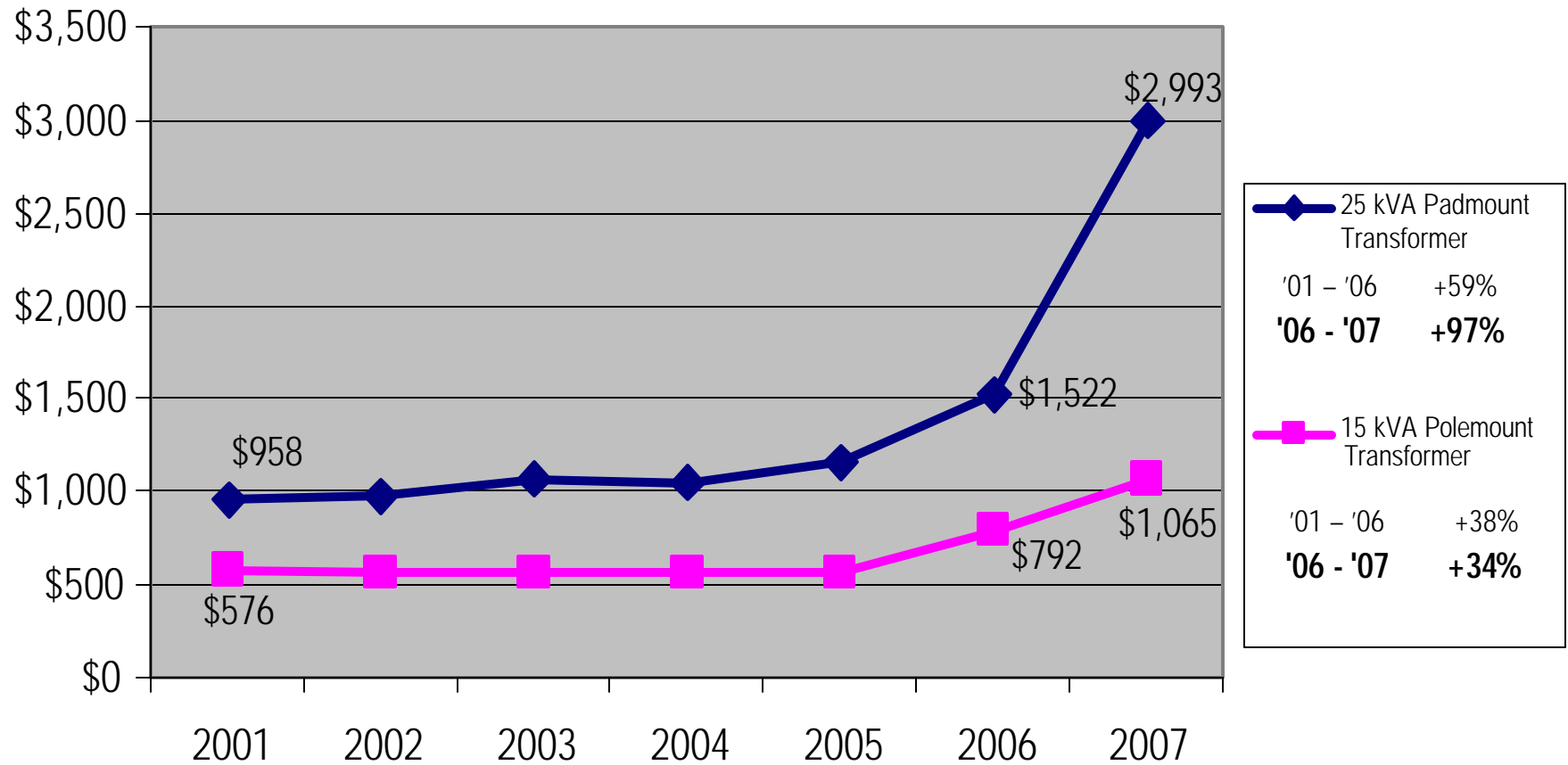
Power Pole Prices

(Price per Each)



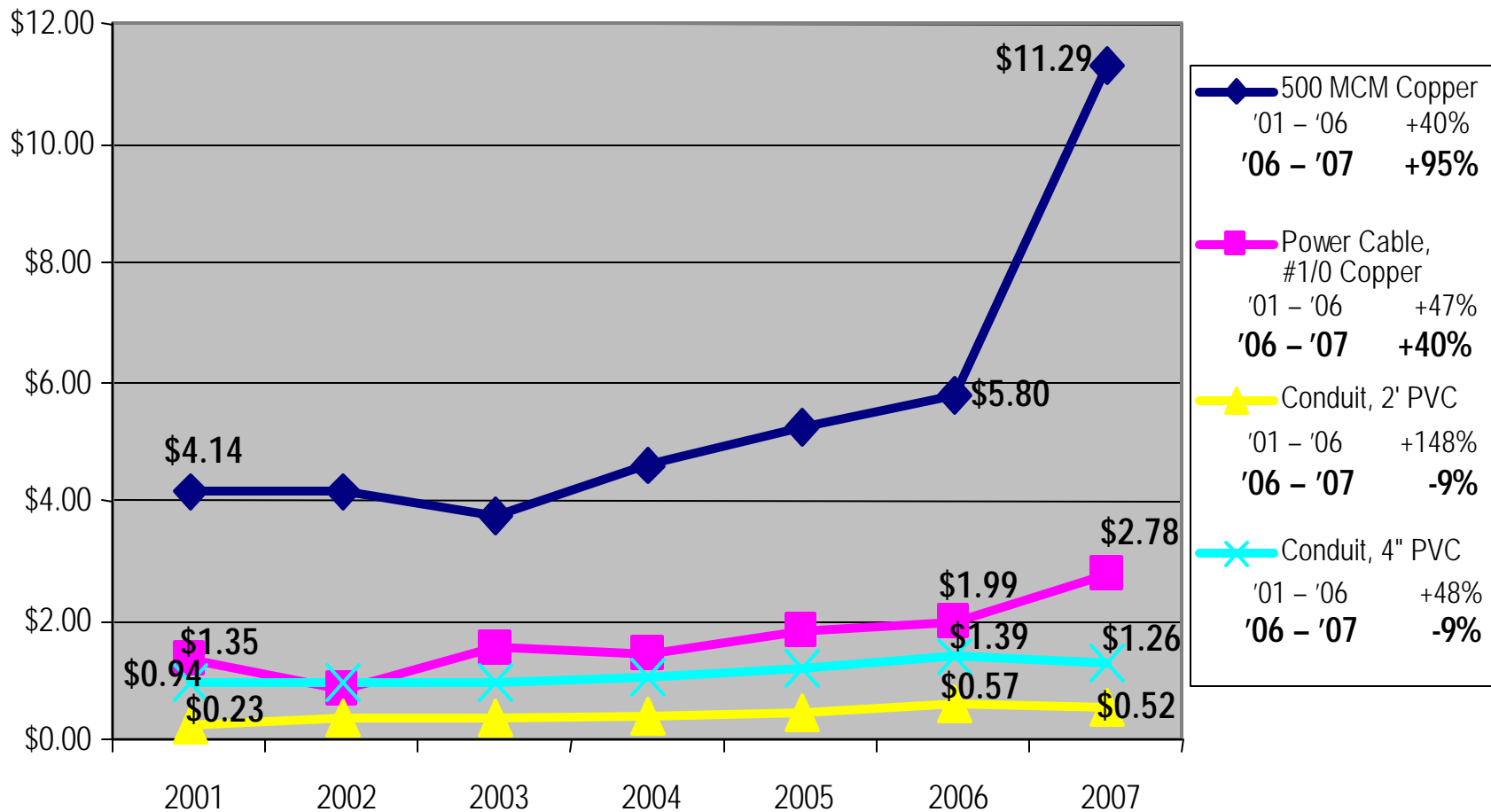
Transformer Prices

(Price per Each)



Power Cable & Conduit Pricing

(Price per foot)



ORDINANCE NO. 9133

An ordinance to amend the Grand Island City Code; Sections 15-55, 15-57, 15-60, 15-63 and 15-74, pertaining to electric utility rates; to repeal Sections 15-55, 15-57, 15-60, 15-63 and 15-74, as now existing, and any ordinance or parts of ordinances in conflict herewith; and to provide for publication and the effective date of this ordinance.

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA:

SECTION 1. Section 15-55 of the Grand Island City Code is hereby amended to read as follows:

§15-55. 010 Residential Service

Applicable in urban and rural distribution areas. Available at single phase, through a single meter, to residential consumers for domestic use in a single-family dwelling unit; but is not available for commercial or non-domestic use.

Individual single-phase motors, not to exceed 10 HP each, may be connected; however, the City Utilities Department must be notified in writing, if a motor over 5 HP is installed.

This schedule has two sets of rates: one for the summer period of five months, beginning with the June billing; and the second for the winter season of seven months, beginning with the November billing.

Summer Rate Beginning October 1, 2007	
Kilowatt-Hours Used Per Month	(June – October)
First 300 KWH.....	\$0.085 per KWH
Next 700 KWH.....	\$0.060 per KWH
All additional KWH.....	\$0.067 per KWH

Plus a customer charge of \$5.00 per month, in addition to that charged for the electrical energy used, plus the applicable Power Cost Adjustment charge. The minimum monthly bill shall be \$5.00 prior to the Power Cost Adjustment.

Winter Rate Beginning October 1, 2007	
Kilowatt-Hours Used Per Month	(November - May)
First 300 KWH.....	\$0.085 per KWH
Next 700 KWH.....	\$0.060 per KWH
Additional KWH.....	\$0.039 per KWH

Plus a customer charge of \$5.00 per month, in addition to that charged for the electrical energy used, plus the applicable Power Cost Adjustment charge. The minimum monthly bill shall be \$5.00 prior to the Power Cost Adjustment.

SECTION 2. Section 15-57 of the Grand Island City Code is hereby amended to read as follows:

Approved as to Form	<input checked="" type="checkbox"/> _____
August 24, 2007	<input checked="" type="checkbox"/> City Attorney

ORDINANCE NO. 9133 (Cont.)

§15-57. 030 Single-Phase Commercial Service

Applicable in urban and rural distribution areas. Available for commercial customers, for lighting and small appliances. Available for single meter apartment units, and combined residential-commercial use, where the Residential Rate is not applicable. Service shall be through a single meter.

Individual single-phase motors, not to exceed 10 HP each, may be connected; however, the City Utilities Department must be notified in writing, if a motor over 5 HP is installed.

Kilowatt-Hours Used Per Month	Rates Beginning October 1, 2007
First 350 KWH.....	\$0.090 per KWH
Next 650 KWH.....	\$0.080 per KWH
Next 1,500 KWH.....	\$0.074 per KWH
Next 2,500 KWH.....	\$0.070 per KWH
Next 5,000 KWH.....	\$0.064 per KWH
Over 10,000 KWH.....	\$0.061 per KWH

Plus a customer charge of \$7.00 per month, in addition to that charged for the electrical energy used, plus the applicable Power Adjustment charge. The minimum monthly bill shall be \$7.00 prior to the Power Adjustment.

SECTION 3. Section 15-60 of the Grand Island City Code is hereby amended to read as follows:

§15-60. 050 Three-Phase Commercial Service

Applicable in the territory served by the City of Grand Island; and is available through a single meter at three phase, for any electric service uses where three-phase service is available.

This schedule has two sets of rates: one for the summer period of five months, beginning with the June billing; and the second for the winter season of seven months, beginning with the November billing.

Summer Rate Beginning October 1, 2007	
Kilowatt-Hours Used Per Month	(June - October)
First 1,000 KWH.....	\$0.087 per KWH
Next 1,500 KWH.....	\$0.079 per KWH
Next 2,500 KWH.....	\$0.075 per KWH
Next 15,000 KWH.....	\$0.069 per KWH
Over 20,000 KWH.....	\$0.066 per KWH

Plus a customer charge of \$10.00 per month, in addition to that charged for the electrical energy used, plus the applicable Power Cost Adjustment charge.

Winter Rate Beginning October 1, 2007	
Kilowatt-Hours Used Per Month	(November - May)
First 500 KWH.....	\$0.087 per KWH
Next 1,000 KWH.....	0.079 per KWH

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Next 2,500 KWH..... \$0.066 per KWH

Over 4,000 KWH..... \$0.063 per KWH

Plus a customer charge of \$10.00 per month, in addition to that charged for the electrical energy used, plus the applicable Power Cost Adjustment charge.

Minimum

The minimum monthly charge shall be no less than \$10.00. The minimum shall in no event be less than \$0.70 per month per connected horsepower.

The billing horsepower shall be determined as follows:

1. Total connected horsepower, if total connected horsepower is less than 20 HP.
2. If total connected horsepower exceeds 20 HP, then the billing horsepower shall be the larger of 20 HP, or the largest single connected motor.
3. If questions arise as to the actual billing horsepower, the City Utilities Department may, at its option, install demand meters. The Kilowatt reading shall determine the billing horsepower on the basis of 0.75 Kilowatt = 1.0 HP.

It is the responsibility of the customer, to inform the City Utilities Department of changes that may effect minimum billings.

SECTION 4. Section 15-63 of the Grand Island City Code is hereby amended to read as follows:

§15-63. 100 Three-Phase Power Service

Applicable in the territory served by the City of Grand Island, available through a single meter at three phase. Available for any commercial or industrial use of energy.

Beginning October 1, 2007

Demand Charge	
\$8.50	per KW of billing demand
Energy Charge	
\$0.0355	per KWH for the first 450 hours of monthly demand
\$0.0290	per KWH for all additional usage; plus applicable Power Cost Adjustment charge.
Customer Charge	
\$300.00	per month.

The minimum monthly bill shall be no less than \$700. The Power Cost Adjustment charge is applied to energy consumption only.

SECTION 5. Section 15-74 of the Grand Island City Code is hereby amended to read as follows:

§15-74. Rate 116; Interdepartmental; Streetlights

The monthly charge for various size lights used for public street lighting and public parks lighting, whether

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City or privately-owned shall be \$0.38 per watt per year billed on a monthly basis beginning October 1, 2007. Power Cost Adjustment is not applicable to the Interdepartmental Streetlights Rate.

SECTION 6. Those portions of Sections 15-55; 15-57; 15-60; 15-63 and 15-74 as now existing, and any ordinances or parts of ordinances in conflict herewith be, and hereby are, repealed.

SECTION 7. The validity of any section, subsection, sentence, clause, or phrase of this ordinance shall not affect the validity or enforceability of any other section, subsection, sentence, clause, or phrase thereof.

SECTION 8. That this ordinance shall be in force and take effect from and after its passage and publication, in pamphlet form, within fifteen days in one issue of the Grand Island Independent as provided by law.

Enacted: August 28, 2007.

Margaret Hornady, Mayor

Attest:

RaNae Edwards, City Clerk