

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2011-37

**AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AMENDING SITKA
GENERAL CODE SECTION 15.01.020 ENTITLED “ELECTRICAL RATES” BY
AMENDING SUBSECTION G NOW ENTITLED “FUEL SURCHARGE” TO CLARIFY
HOW THE FUEL SURCHARGE IS NOW ASSESSED IN ORDER TO RECOVER THE
ELECTRIC DEPARTMENT’S COST OF SUPPLEMENTAL DIESEL OPERATIONS**

1. **CLASSIFICATION.** This ordinance is of a permanent nature and is intended to become a part of the Sitka General Code (“SGC”).

2. **SEVERABILITY.** If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstance shall not be affected.

3. **PURPOSE.** The “fuel charge” provision in SGC 15.01.020G, now referred to as “fuel surcharge,” is amended to add greater specificity on how and when it is applied to customers’ electric bills. This ordinance explains that when projected supplemental diesel operations by the Electric Department exceed budgeted funds in any fiscal year, a fuel surcharge is assessed on all customers’ electric bills, and provides for the procedures and formula for that assessment. The financial impact on the electric customers is calculated on an annual basis, adjusted quarterly, to pay for that fuel surcharge. This ordinance further explains that a balancing account will be maintained to match actual supplemental generation costs with fuel surcharge revenue to ensure customers are not over or under billed. Implementing a fuel surcharge on an annual basis will ensure all customers share in the cost of supplemental diesel generation, and also are provided the opportunity to conserve electric energy, thereby minimizing the impact of the fuel surcharge.

4. **ENACTMENT. NOW, THEREFORE, BE IT ENACTED** by the Assembly of the City and Borough of Sitka that the SGC 15.01.020G is amended to read as follows (new language underlined; deleted language stricken):

15.01.020 Electrical Rates

- G. Fuel Surcharge.~~The~~A fuel surcharge is shall be implemented to recover the utility’s actual costs of supplemental diesel generation in excess of budgeted funds for projected diesel operations. The costs of supplemental diesel generation to be recovered include fuel oil, lubricating oil, filters, labor, and other ancillary costs in excess of budgeted funds. The fuel surcharge will be levied as a per kilowatt hour (kWh) rate and will be calculated as follows: the quarterly projected cost of supplemental diesel operations which exceeds budgeted diesel

operations divided by quarterly projected kWh sales. kWh sales projections will be kWh sales for the same period from the previous fiscal year times a load growth factor. The fuel surcharge will be recovered over a 3-month period. The utility will maintain a balancing account to match revenues from the fuel surcharge with actual supplemental generation expenses, and will adjust this account on a quarterly basis. Any surplus in the balancing account at the end of a recovery period will be retained by the utility and will be utilized exclusively to reduce future fuel surcharges. Any deficit in the balancing account at the end of a recovery period will be added to the estimated costs to be recovered in the next recovery period. Fuel surcharges may be recalculated and changed during any quarter upon approval of the Municipal Administrator due to emergencies or other unforeseen circumstances. ~~cost of diesel fuel in excess of fifty thousand dollars per year that is used to generate electricity. The fuel charge rate is the fuel cost in excess of fifty thousand dollars over the preceding twelve months divided by the kilowatt hours sold over the preceding twelve months, excluding interruptible service kilowatt hours sold. The utility is to maintain a balancing account to match revenues from the fuel charge to the actual fuel costs incurred that are in excess of fifty thousand dollars over any twelve-month period. The fuel charge rate is adjusted annually accordingly.~~

Kilowatt hours sold on an interruptible service basis or for street lights are not subject to a fuel surcharge.

5. **EFFECTIVE DATE.** This ordinance shall become effective thirty days after the date of its passage.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this 15 day of November, 2011.

Cheryl Westover, Mayor

ATTEST:

Colleen Ingman, MMC
Municipal Clerk