




City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly Members

From: John Leach, Municipal Administrator 

Date: March 30, 2020

Subject: Ordinance to Delay Seasonal Electricity Fee Increase for 60 Days

Background: Assembly Members Christianson and Knox have requested the preparation of an ordinance, for Assembly consideration, that would delay the seasonal electricity fee increase for 2020 by 60 days, from May 1, 2020 to July 1, 2020.

Analysis: The purpose of this proposed action is to afford citizens of Sitka, who are suffering loss of employment or other adverse effect stemming from the COVID-19 pandemic, government assistance by reducing the costs of electricity for their homes and businesses.

Fiscal Note:

Based on historical electricity consumption patterns and data, the Finance Department estimates that this action, if approved, will reduce Electric Fund income by (\$1,025,000) from what would otherwise been earned had the seasonal rate increase went into effect on May 1 (14,241,900 kWh @ \$0.072/kWh).

It is important to note that the Electric Fund will have its debt service coverage ratio measured as of June 30, 2019. This ratio requires that net revenue of the electric system be a minimum of 1.25 times the debt service for 2019. Balances in the Electric Rate Stabilization Fund can be used as credits to offset required revenue; however, the balance in the Rate Stabilization fund is only \$368,000 as of the date of this memo. Hence, unless strong electricity demand is experienced from July 1, 2020 – April 30, 2021 (first 10 months of FY2021), a subsidization transfer from the General Fund to the Electric Fund may be necessary in June 2021 in order to achieve the minimum ratio.

Through December 31, 2019 (the last measurement date) electricity consumption was slightly ahead of forecasted amounts. Forecasted consumption for the first 6 months of FY2020 was 51,663,250 kWh and actual consumption was 52,157,850 kWh, a positive

variance of 494,600 kWh, equal to \$546,505. Thus, it is possible that no subsidy transfer will be required as the extra revenue earned in FY2020 plus the balance in the Electric Rate Subsidization Fund may approach the forecasted shortfall due to extending the off-season rate. This can't be guaranteed, however, and the amount of a subsidy won't be known until the end of FY2020.

Recommendation:

Economic difficulties being experienced by Sitkans, due to lost wages as a result of COVID-19, outweigh other needs at this time. Staff recommends that the ordinance be enacted, and that the Assembly stand ready to transfer funds from the General Fund to the Electric Fund, if necessary.