



Memorandum

January 4, 2012

To: General Assembly, City and Borough of Sitka
Via: Jim Dinley, Municipal Administrator *JD*
From: Christopher Brewton, Utility Director
Subject: **Fuel Surcharge Implementation**

Effective January 1, 2012, the monthly fuel surcharge for the period January 1 – March 31, 2012, will be \$0.0135/kWh and will apply to all customer classes on a per kilowatt hour basis. Please note that this fuel surcharge will be in effect for one full year but will be adjusted April 1, 2012, to reflect updated supplemental diesel generation needs. A typical monthly 1,000 kWh residential bill is about \$92.42 and the fuel surcharge would add an additional \$13.50 to the total bill.

On December 30, 2011, the system operations model projected a hydroelectric generation shortage of 6,500 MWh which equates to approximately \$1.88 million dollars of fuel costs. As you may recall, as late as mid November 2011, the operations model was projecting approximately \$3 million in projected fuel costs. The primary difference in the model was the unusually late inflows into the lakes that continued well past the “normal” periods of expected inflow.

Remember as our generation manager, Andy Eggen points out, we are at the “drain and pray” portion of the hydrological cycle. At this point rain and snow are inventory, and we are very hopeful that we see an early spring and substantial snowpack to refill the lakes.

Cc: Theresa Hillhouse, Municipal Attorney