

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2012-20

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AMENDING  
SITKA GENERAL CODE SECTION 15.01.020 ENTITLED "ELECTRICAL  
RATES" BY INCREASING RATES FOR ALL CUSTOMER CLASSES TO FUND  
VOTER APPROVED IMPROVEMENTS FOR THE BLUE LAKE  
HYDROELECTRIC EXPANSION PROJECT AND IMPLEMENTING A  
STRUCTURE FOR RESIDENTIAL CLASS CUSTOMERS TO PROMOTE  
ENERGY CONSERVATION, AND ALSO AMENDING SITKA GENERAL CODE  
SECTION 15.01.030 ENTITLED "BILLING – CREDIT – DEPOSIT – FEES" TO  
INCREASE EMERGENCY ELECTRIC SERVICE CHARGES

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.** This ordinance will increase the electrical rates for all consumer classes at SGC 15.01.020 based on the cost of service and provide sufficient revenues to meet all fiscal requirements to complete approved electrical utility capital projects, including the Blue Lake Hydroelectric Expansion Project. The ability to acquire reasonable cost financing for these projects requires electric rate increases to meet revenue bond covenants and financial margins. Further, the continued high cost of heating oil has resulted in residential customers significantly increasing electrical consumption. This unprecedented load growth has contributed to the full utilization of limited hydroelectric generation and the requirement to operate expensive diesel generation to meet system demand. The new rate structure is added to SGC 15.01.020 and is designed to encourage energy conservation by charging more for increased consumption.

This ordinance also increases the emergency electric service charges found at SGC 15.01030.

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

**Chapter 15.01  
ELECTRIC UTILITY POLICIES**

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**15.01.020 Electrical rates.**

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**B. Residential Services.**

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**2. Energy Charges.**

First 1,000 kWh	\$0.0800 per kWh
1,001 to 2,000 kWh	\$0.0850 per kWh
2,001 to 3,000 kWh	\$0.1200 per kWh
Over 3,001 kWh	\$0.1600 per kWh
Customer Charge is \$15 per Month – Minimum Bill Charge is \$35.00 per month	

First 200 kWh	\$0.1417 per kWh
201 kWh to 1,000 kWh	\$0.0801 per kWh
Over 1,000 kWh	\$0.0918 per kWh
Minimum Charge is \$21.25 per month.	

**C. General Service – (Commercial, Industrial and Government.)**

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**2. Energy Charges.**

First 500 kWh	\$0.1417 per kWh
501 kWh to 10,000 kWh	\$0.0900 <del>\$0.0903</del> per kWh
10,001 kWh to 100,000 kWh	\$0.0900 <del>\$0.0850</del> per kWh
Over 100,001 kWh	\$0.0900 <del>\$0.0750</del> per kWh
Customer Charge is \$39.00 - Minimum Bill charge is \$50.00 <del>\$21.25</del> per month	

**3. Demand Charges.**

First 25 kW	No Charge
Over 25 kW	\$4.50 <del>\$3.90</del> per kW

D. Boat Service.

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2. Energy Charges.

First 150 kWh	<del>\$0.1090</del> <u>\$0.1417</u> per kWh
All additional kWh	<del>\$0.1090</del> <u>\$0.0953</u> per kWh
<u>Customer Charge is \$6.75 - Minimum Bill Charge is \$21.25 per month</u>	

E. Street and Security Light Service.

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2. Rate per Month. This fee is in addition to the actual installation charges required for installing the desired fixture.

Monthly unmetered street or security light energy rate is calculated as follows:

(0.482 kWh per lamp watt) times (the wattage of the lamp) = kWh per month.	
Example: 0.482 kWh x 100 Watt lamp = 48 kWh per month.	
Monthly energy rate is: kWh per month times <del>\$0.1552</del> <u>\$0.1417</u> per kWh	
kWh per month x <del>\$0.1552</del> <u>\$0.1417</u> /kWh = <del>\$7.45</del> <u>\$6.80</u> per month energy rate	
Typical lamp energy rates:	
70 Watt	<del>\$5.23</del> <u>\$6.80</u> per month
100 Watt	<del>\$7.45</del> <u>\$6.80</u> per month
150 Watt	<del>\$11.17</del> <u>\$10.20</u> per month
175 Watt	<del>\$13.04</del> <u>\$11.91</u> per month
250 Watt	<del>\$18.63</del> <u>\$17.01</u> per month
400 Watt	<del>\$29.95</del> <u>\$27.35</u> per month
1,000 Watt	<del>\$74.81</del> <u>\$68.32</u> per month

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F. Interruptible Service – Large Customer.

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3. Rate per Month. Basic customer charge for each month or portion of a month: one hundred dollars.

Energy Charge. The energy charge for all kilowatt-hours shall be 0.0317 times the city and borough's price per gallon for number 2 heating oil, assuming an overall oil heating system efficiency of seventy percent and the use of the price paid by the city and borough of Sitka for number 2 heating oil for all of the city and borough-owned buildings. The rate will vary monthly with the price paid by the city and borough of Sitka for number 2 heating oil for all city-owned buildings. The maximum energy charge for all kilowatt hours under this rate shall be nine ~~eight~~ cents per kilowatt hour.

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## Memorandum

June 19, 2012

To: Jim Dinley, Municipal Administrator  
 From: Christopher Brewton, Utility Director  
 Subject: **Electric Rate Increase - Summary**

This memorandum is to provide supplemental information relative to the proposed electric rate schedules submitted for Assembly approval. The following will address the overall objectives of the proposed rates and provide examples that will show impacts of the new rate schedules.

### What does an electric rate accomplish?

Properly designed electric rates should:

- Produce adequate revenue to cover fixed & operational costs, debt service, and fund replacement & renewal of utility plant,
- Be simple to understand, & acceptable to customers, regulators and elected officials,
- Be easy to administer within constraints of billing system,
- Produce fair cost apportionment within customer classes,
- Be flexible & comply with regulatory requirements,
- Provide rate & revenue stability,
- Be nondiscriminatory and provide proper price signals.

### How are electric rates developed?

The proposed rates were developed by a two-step process. The first step was to complete a Cost of Service Study (COSS). The purpose of a COSS is to determine the actual utility cost to serve each class of customer. Table 1 below is the existing COSS summary. Then utilizing the COSS, rates are designed to allocate costs to each customer class with the intent that each class pays their fair share for energy without under or overcharging the other classes.

For example, it is typically less expensive for a utility to serve a large industrial customer than residential. Why? The industrial customer consumes large amounts of energy relative to a residential customer and is usually physically located at one place. Residential on the other hand consume modest amounts of energy and are geographically widely spaced. So it takes more poles, distribution wires, and transformers to serve a class of customer that uses less energy.

<b>Customer Class</b>	<b>Cost of Service</b>	<b>Projected Revenues</b>	<b>% Change</b>
Residential Service	\$ 5,713,429	\$ 4,711,025	21%
Boat Service	416,204	442,392	-6%
Lighting	131,987	115,198	15%
GS Commercial	3,144,752	2,985,086	5%
GS Government	2,395,603	2,188,863	9%
GS Sawmill Creek	610,465	513,795	19%
GS Interruptible	222,041	185,097	20%
<b>Total</b>	<b>12,634,480</b>	<b>11,141,455</b>	<b>13.4%</b>

Table One – Cost of Service Summary – Without Rate Adjustments

Thereby using cost of service principals, rates are designed that equitably charges all customer classes. Of particular importance however, is the need for the utility to collect adequate revenue to maintain financial stability and meet all bond and debt covenants. The following tables will show the impacts of the new proposed rates, by customer class.

<b>Residential Service</b>							
Consumption (kWh)	Rate			Effective Rate (kWh)		Avg # of Billed Accounts	
	Old	New	Difference	Old	New	Summer	Winter
150	\$21.25	\$35.00	\$13.75	\$0.1417	\$0.2333	-	-
250	\$32.35	\$35.00	\$2.65	\$0.1294	\$0.1400	1077	638
500	\$52.37	\$55.00	\$2.63	\$0.1047	\$0.1100	1221	731
924(S)	\$86.33	\$88.92	\$2.59	\$0.0934	\$0.0962	-	-
1000	\$92.42	\$95.00	\$2.58	\$0.0924	\$0.0950	640	721
1362(W)	\$125.65	\$125.77	\$0.12	\$0.0923	\$0.0923	-	-
1500	\$138.32	\$137.50	-\$0.82	\$0.0922	\$0.0917	456	524
2000	\$184.22	\$180.00	-\$4.22	\$0.0921	\$0.0900	185	361
2500	\$230.12	\$240.00	\$9.88	\$0.0920	\$0.0960	88	226
3000	\$276.02	\$300.00	\$23.98	\$0.0920	\$0.1000	35	141
4000	\$339.48	\$460.00	\$120.52	\$0.0849	\$0.1150	10	48
5000	\$459.62	\$620.00	\$160.38	\$0.0919	\$0.1240	6	22
7000	\$643.22	\$940.00	\$296.78	\$0.0919	\$0.1343	1	7
9000	\$826.82	\$1,260.00	\$433.18	\$0.0919	\$0.1400	1	6

**Table Two – Residential Rate Comparison**

<b>Boat Service</b>							
Consumption (kWh)	Rate			Effective Rate (kWh)		Avg # Billed Accounts	
	Old	New	Difference	Old	New	Summer	Winter
150	\$21.25	\$23.10	\$1.85	\$0.1417	\$0.1540	588	375
500	\$54.61	\$61.25	\$6.64	\$0.1092	\$0.1225	54	200
1000	\$102.26	\$115.75	\$13.49	\$0.1023	\$0.1158	9	70
1500	\$149.91	\$170.25	\$20.34	\$0.0999	\$0.1135	6	14
2000	\$197.56	\$224.75	\$27.19	\$0.0988	\$0.1124	2	1
2500	\$245.21	\$279.25	\$34.04	\$0.0981	\$0.1117	0	5
3000	\$292.86	\$333.75	\$40.89	\$0.0976	\$0.1113	0	4

**Table Three – Boat Service Rate Comparison**

General Service (Energy Charges Only)							
Consumption (kWh)	Rate			Effective Rate		Avg # of Billed Accounts	
	Old	New	Difference	Old	New	Summer	Winter
500	\$70.85	\$109.85	\$39.00	\$0.1417	\$0.2197	382	311
1000	\$116.00	\$154.85	\$38.85	\$0.1160	\$0.1549	126	165
2000	\$206.30	\$244.85	\$38.55	\$0.1032	\$0.1224	61	93
3000	\$296.60	\$334.85	\$38.25	\$0.0989	\$0.1116	27	49
4000	\$386.90	\$424.85	\$37.95	\$0.0967	\$0.1062	21	41
5000	\$477.20	\$514.85	\$37.65	\$0.0954	\$0.1030	52	85
10000	\$928.70	\$964.85	\$36.15	\$0.0929	\$0.0965	31	44
25000	\$2,203.70	\$2,314.85	\$111.15	\$0.0881	\$0.0926	13	16
50000	\$4,328.70	\$4,564.85	\$236.15	\$0.0866	\$0.0913	5	15
100000	\$8,578.70	\$9,064.85	\$486.15	\$0.0858	\$0.0906	6	7
200000	\$16,078.70	\$18,064.85	\$1,986.15	\$0.0804	\$0.0903	3	0

Table Four – General Service Rate Comparison (Energy Charges Only)

Customer Class	Current Revenues	Proposed Revenue	Dollar Change	Percent Adjustment	Cost of Service	COS	After Adjustment
Residential Service	4,711,025	5,549,039	838,014	17.8%	5,713,429	21%	3%
GS Commercial	5,687,743	6,157,518	469,774	8.3%	6,150,820	8%	0%
GS Interruptible	185,097	210,860	25,763	13.9%	222,041	20%	5%
Boat Service	442,392	470,366	27,974	6.3%	416,204	-6%	-12%
Lighting	115,198	126,141	10,944	9.5%	131,987	15%	5%
<b>Total</b>	<b>\$ 11,141,455</b>	<b>\$ 12,513,924</b>	<b>\$ 1,372,469</b>	<b>12.3%</b>	<b>\$ 12,634,480</b>	<b>13%</b>	<b>1%</b>

Table Five – Cost of Service Summary – With Rate Adjustments