



City & Borough of Sitka  
**Electric Department**  
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## Memorandum

January 15, 2013

To: Assembly, City & Borough of Sitka  
Via: Jim Dinley, Municipal Administrator  
From: Christopher Brewton, Utility Director  
Subject: **Electric Rate Increase**

To ensure compliance with the rate covenants of the upcoming bond issuance for Blue Lake, an electric rate increase is necessary. The proposed rate increases per attached ordinance are adequate to meet these requirements and are simply a flat 15% increase of the existing rates.

However, as you are aware, the rate structure currently approved was designed to meet additional utility objectives in addition to the bond covenants. The Residential Class, for example, implemented a substantive inclining block rate structure intended to encourage energy conservation by high-consumption consumers. An additional objective of the current rate structure was to reduce rate subsidization by moving rates closer to cost-of-service principals.

These objectives remain important, but with the increased cost of the Blue Lake project, it is prudent to revisit the rate strategy. Our objective is to design rates that collect adequate revenue yet are not an undue burden on any particular rate class or consumption level. Therefore, we intend to revise our existing rate structures to equitably charge all customers for electric service.

We are utilizing the services of our rate consultant to evaluate the new debt service levels and develop new rates that will meet these objectives. Our goal is to develop a few rate alternatives and present them to the Assembly in work session in the immediate future. Following Assembly input we will then bring a final rate case for Assembly approval.