

MOTION TO RECONSIDER

I move to reconsider the motion to approve Ordinance 2015-17 on first reading.

Notes:

- If the motion to reconsider passes: The motion to reconsider is adopted and the motion is reconsidered. The motion on the floor and open for discussion would be: To approve Ordinance 2015-17 on first reading.
- Notice of reconsideration was given by deputy mayor Matthew Hunter on March 24, 2015.
- Requires a second and a majority vote

Memo

Via: Colleen Ingman, Acting Municipal Administrator
To: City and Borough of Sitka Assembly
From: Jay Sweeney, Chief Financial and Administrative Officer
Date: March 17, 2015
Re: Electricity Rate Increase and Alternative for Potential Subsidization

Mayor McConnell and Assembly Members,

Current Issue and Background

Staff is recommending an electric rate increase, effective with the commencement of the next electric billing cycle (Cycle 1).

A mild winter with warmer than normal temperatures has caused electricity consumption to be both well behind planned consumption for FY15, and, lower than FY14. As of February 28, 2015, electricity consumption has declined from FY14 by 1,185,600 kWh, a (1.62%) decrease. Electricity sales revenue has also declined from FY14 by (\$17,059). Compared to budget plan for the year, electricity consumption is (2,827,950 kWh) below plan and electricity sales revenue is (\$1,456,315) below plan.

While electricity consumption and sales have decreased, debt service related to the Blue Lake Hydroelectric Expansion project increased this year, as a result of the 4th issuance of revenue bonds last November. \$342,372 in additional debt service in FY15 is associated with this bond, which rises to \$816,250 in FY16.

Covenants agreed to by the Municipality in the bond issuance ordinance commit the Municipality to generate cash flow from operations equal to 125% of the annual debt service for revenue bonds. Thus, the additional debt service for the 4th bonding equates to a need for additional revenue of 1.25 x \$816,250, or \$1,020,312.50 in additional cash flow.

In preparing the FY15 budget, the Municipality made an assumption that electricity consumption would grow by 2.5%, from 109,133,150 kWh to 112,000,000 kWh. Electricity consumption of 112,000,000 was historically achieved in both FY12 and FY13, thus a return to historical consumption levels was viewed as a realistic assumption. If historical electricity consumption was obtained in FY15, combined with previous rate increases and a modest withdrawal from the Rate Stabilization Fund, the 125% coverage ratio was achievable.

Unfortunately, electricity consumption has not returned to normal levels and, instead, has declined from FY14, thus creating a revenue shortfall which threatens to cause the Municipality to not achieve the required coverage ratio. Current electricity consumption and revenue trends are such that, without a sizeable rate increase, the entire Rate Stabilization Fund of \$2,508,000 will need to be liquidated in order to achieve the required 125% coverage ratio in FY15.

Staff was very explicit in its discussions with the Assembly and the public that a 4th electric rate increase, in conjunction with the 4th bonding, was not foregone and was simply delayed. The desire was to have a moderate rate increase put in place for July 1, 2015; however, the decline in consumption has made an electric rate increase urgent, compelling a higher than anticipated rate increase and an earlier adoption.

For a historical perspective, electricity consumption, electricity sales, and the average rate per kWh for the last three fiscal years and projected for FY15 are as follows:

Fiscal Year	Electricity Sales Revenue	Electricity Consumption	Average Rate Per kWh
FY12	\$11,272,293	111,718,100 kWh	\$0.1009 / kWh
FY13	\$11,232,485	112,761,750 kWh	\$0.1002 / kWh
FY14	\$13,028,667	109,133,150 kWh	\$0.1194 / kWh
FY15 (Projected)	\$13,000,000	107,362,200 kWh	\$0.1211 / kWh

The companion historical perspective on bonded debt service and coverage ratios is as follows:

Fiscal Year	Bonded Debt Service	Coverage Ratio
FY12	\$3,467,567	1.43 Times
FY13	\$3,449,735	1.69 Times
FY14	\$5,045,158	1.34 Times
FY15 (Projected)*	\$7,733,628	0.90 Times*

*Note. Data with asterisks in the Table above do not include anticipated withdrawals from the Rate Stabilization Fund. The governing Bond Ordinance for Blue Lake Revenue Bonds allows the Finance Director to make deposits of revenues above those required to make the minimum 125% debt service coverage ratio into a Rate Stabilization Fund. We made deposits to the Rate Stabilization Fund in FY12 and FY13 equal to a total of \$2,508,000. Note that this correlates to the large coverage ratios in those fiscal years in the Table above. It is anticipated, as previously mentioned, that the entire Rate Stabilization Fund will be withdrawn in FY15 to meet the minimum coverage ratio.

Alternative For Potential Subsidization

Staff has identified an alternative that could help to ease the rate increases required to meet the minimum coverage ratio in FY16.

The governing bond ordinance allows for funds from an external source to be deposited into the Rate Stabilization Fund. If and when such funds are withdrawn from the Rate Stabilization Fund to help mitigate rate increases, the withdrawal has the effect of being classified as revenue for purposes of calculating the coverage ratio. To wit, the existing \$2,508,000 currently in the Rate Stabilization Fund is being planned for withdrawal this fiscal year (FY15) to help achieve the FY15 coverage ratio, which is always measured annually on June 30.

The alternative Staff has identified is the potential transfer of most, or all, of the remaining funds in the Southeast Alaska Economic Development Loan Fund into the Electric Fund Rate Stabilization Fund **THIS FISCAL YEAR**, so that it is available to be withdrawn from the Rate Stabilization Fund next fiscal year (FY16) and be counted as revenue towards achieving the minimum coverage ratio.

As a second part of this alternative, Staff would embark on a course of action to use the funds from the Economic Development Loan Fund to pay for the capital costs of converting Municipal buildings (especially schools) from oil heat to electric heat. In doing so, outlays leaving Sitka in the form of heating oil purchases would remain in the Municipality, and, overall electric consumption would be increased.

Staff estimates that every \$100,000 so transferred from the Economic Development Loan Fund would have the effect of lessening the required FY16 rate increase by \$0.0093/kwh. If, for example, \$2,500,000 was so transferred, it would have the effect of lessening the required rate increase by \$0.023 per kWh.

It is important to note that the effect of such a transfer from the Economic Development Loan Fund would be a **ONE TIME EFFECT** for FY16 only. A combination of increased electricity consumption and/or subsequent rate increases would still be required to achieve the coverage ratio in subsequent years.

One thing that favors Sitka is that annual debt service will gradually decline over time, not rise. Hence, the denominator in the debt service calculation will decline, making the coverage ratio easier to achieve each year and mitigating future rate increases.

The basic calculation for achieving the 1.25 debt service coverage ratio in subsequent years is as follows:

1. *Annual bonded debt service of \$7,730,000 times 1.25 = \$9,662,500 required cash flow*
2. *Electric Department earnings before interest and depreciation (EBID) plus interest income as a percentage of top-line revenue = 57.11%*
3. *\$9,662,500 require cash flow divided by 57.11 % EBID = sales of \$17,444,000*
4. *\$17,444,000 divided by 112,000,000 kWh = \$0.1556 per kWh*

But if consumption increases....

5. *\$17,444,000 divided by 113,120,000 kWh (1% consumption increase) = \$0.1542 per kWh*

Summary

Staff recommends the combination of rate increases plus transfers from the Southeast Alaska Economic Development Fund, in order to generate increased system revenue of \$2,500,000 for FY16, be adopted as soon as possible. A rate increase, plus perhaps an additional transfer from the Economic Development Loan Fund necessary to generate required income necessary to meet the required rate covenant, must also be planned for FY17 in order to stabilize rates.

An ordinance would need to be introduced promptly to change the language in Title 4 of the Sitka General Code governing the Southeast Alaska Economic Development Loan Fund to permit transfer to another fund, as opposed to loaning, as the code now reads.

Electric Rates – Additional Information

1 - Sitka Annual Gross Generation

2 - Residential Rate Comparison – Statewide

3 - Residential Rate Comparison – Regional

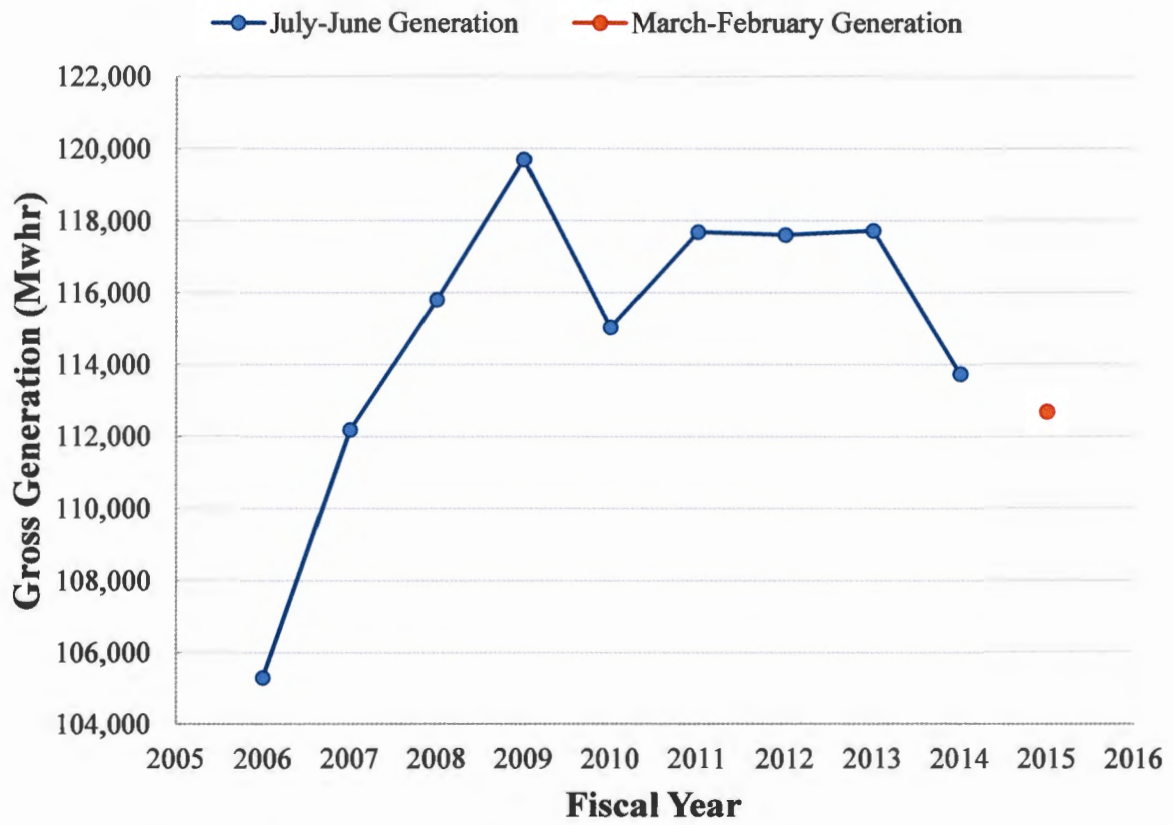
4 - Electric Rates – Alaska Statewide¹

5 - Electric Rates - Nationwide²

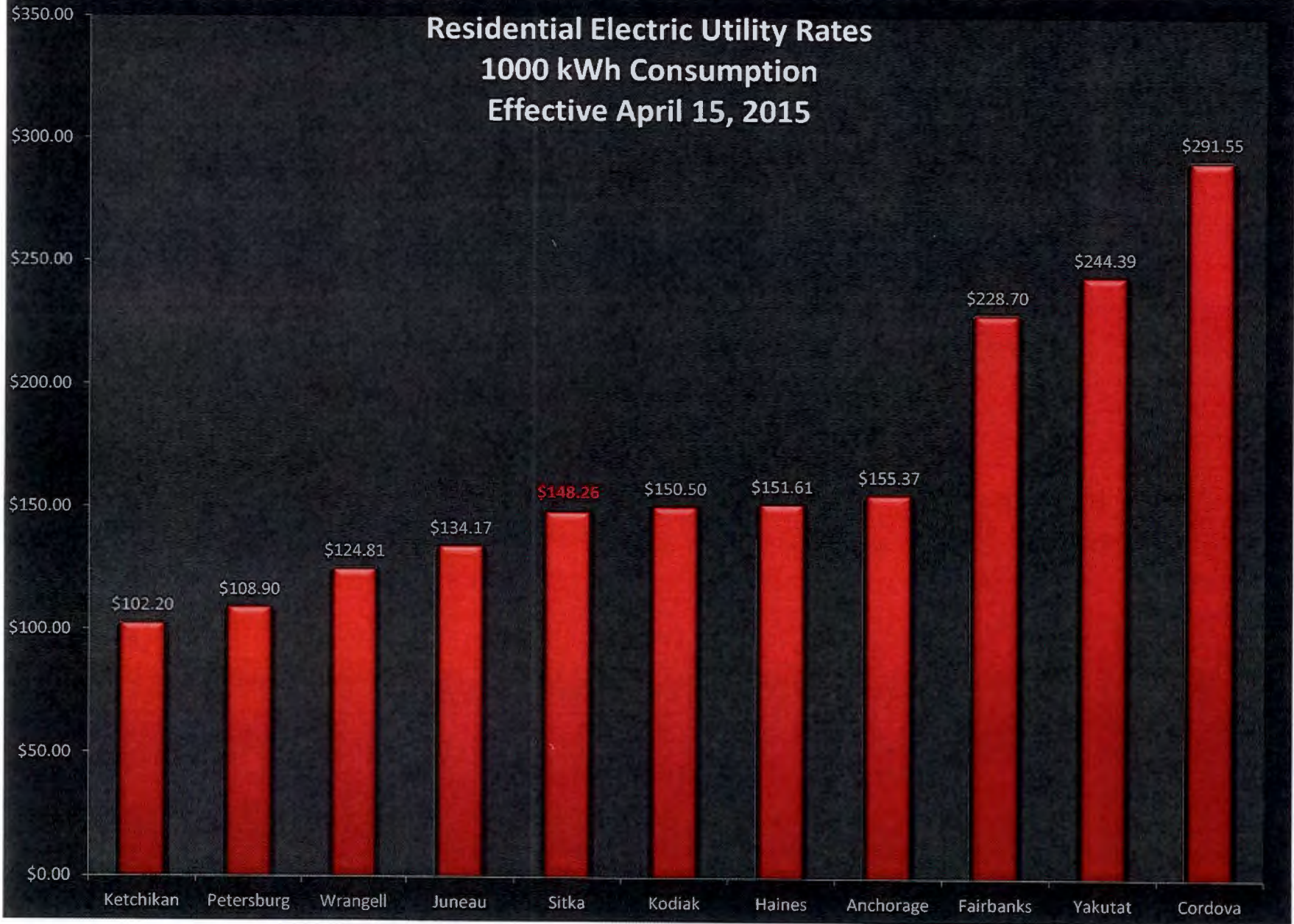
6 - Sitka Interruptible Electric Rate

^{1,2} Information is latest data compiled by the Energy Information Administration – CY2013

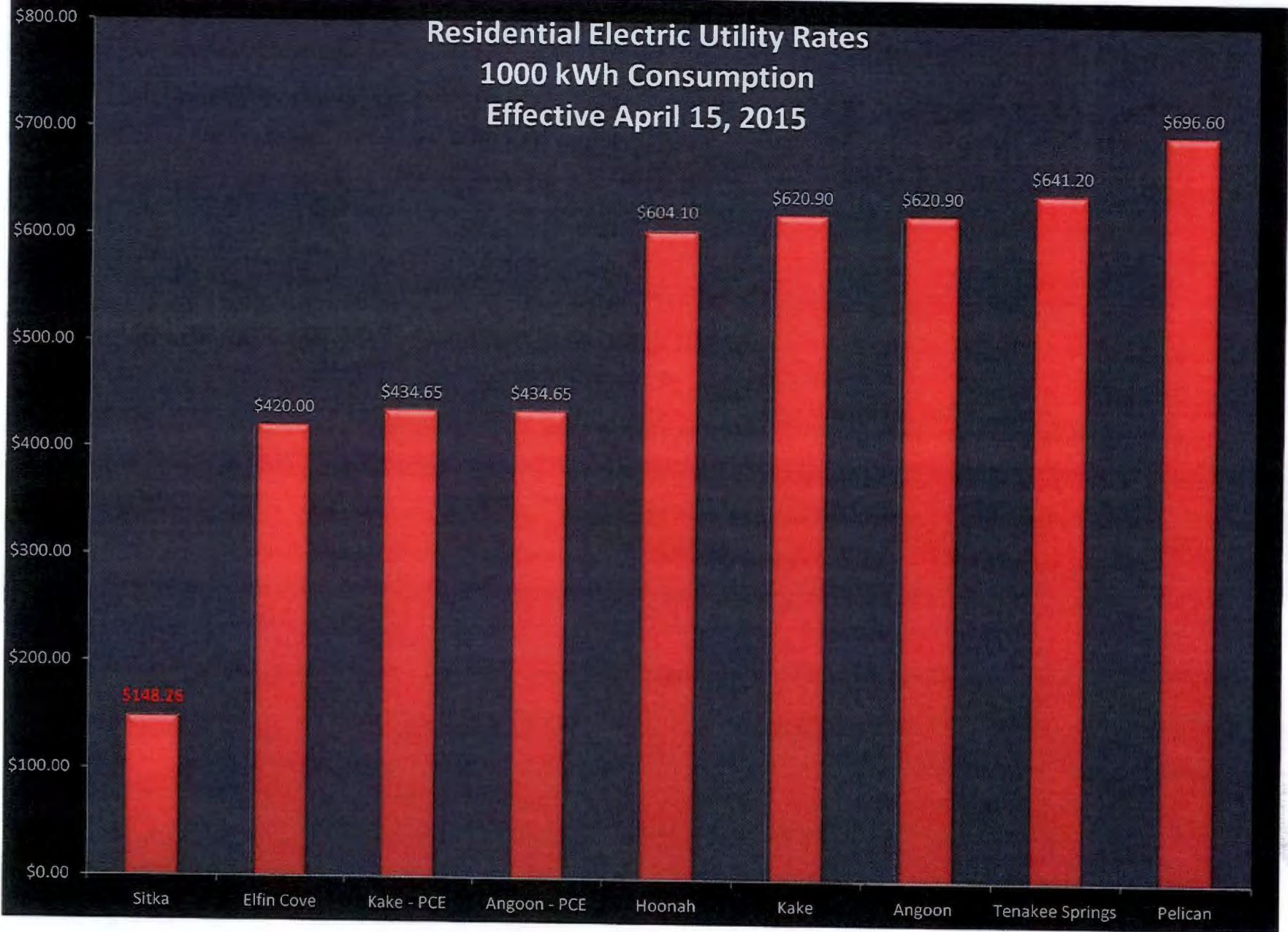
Sitka Annual Power Generation



Residential Electric Utility Rates
1000 kWh Consumption
Effective April 15, 2015



Residential Electric Utility Rates 1000 kWh Consumption Effective April 15, 2015



Average Revenue per kWh, 2013
(in cents)
United States and Alaska

	Residential <u>Rev/kWh</u>	Commercial <u>Rev/kWh</u>	Industrial <u>Rev/kWh</u>	Total* <u>Rev/kWh</u>
<u>Alaska</u>				
Publicly Owned	13.4	11.7	19.3	13.6
Investor-Owned	17.7	19.9	9.7	23.4
Cooperative	18.4	16.4	15.8	17.7
Alaska				
<u>Publicly Owned</u>				
Anchorage Municipality of	13.2	10.4	-	10.7
Ketchikan City of	10.2	9.7	8.4	9.7
Nome Joint Utility Systems	37.7	35.4	-	36.1
North Slope Borough Power & Light	17.4	31.0	-	28.4
Petersburg City of	9.7	11.4	10.8	10.5
Seward City of	20.4	21.6	17.4	18.8
Sitka City & Borough of	10.7	11.1	11.3	10.9
Unalaska City of	47.5	42.9	39.0	40.8
Wrangell City of	10.6	10.7	-	10.7
Alaska				
<u>Investor-Owned</u>				
Alaska Electric Light & Pwr Co	12.8	10.5	9.7	11.2
Alaska Power Co	30.7	27.0	-	28.4
Aniak Light & Power Co Inc	NA	NA	NA	73.9
Bethel Utilities Corp	54.9	54.6	-	54.7
Chitina Electric Inc	-	-	66.9	59.7
G & K, Inc	NA	NA	NA	71.7
Gustavus Electric Inc	NA	NA	NA	43.9
Gwitchyaa Zhee Utility Co	NA	NA	NA	62.8
Hughes Power & Light Co	NA	NA	NA	72.0
Kuiggluum Kallugvia	NA	NA	NA	50.5
McGrath Light & Power Co	NA	NA	NA	58.4
Napakiaq Ircinraq Power Co	NA	NA	NA	80.5
Pelican Utility	NA	NA	NA	32.1
Smart Prepaid Electric	NA	NA	NA	73.9
Tanana Power Co Inc	NA	NA	NA	48.9
TDX North Slope Generating Co	-	18.5	-	18.5
Alaska				
<u>Cooperative</u>				
Akiachak Native Community Electric Co.	NA	NA	NA	69.2

	Residential Rev/kWh	Commercial Rev/kWh	Industrial Rev/kWh	Total* Rev/kWh
Alaska Village Elec Coop, Inc	61.0	53.4	-	56.6
Barrow Utils & Elec Coop, Inc	12.1	10.6	-	10.9
Chugach Electric Assn Inc	14.8	12.2	10.9	13.4
Copper Valley Elec Assn, Inc	28.2	24.4	-	25.2
Cordova Electric Coop, Inc	41.2	32.6	22.9	30.7
Golden Valley Electric Assn Inc	22.9	21.1	17.2	18.9
Homer Electric Assn Inc	21.0	18.3	7.9	16.7
I-N-N Electric Coop, Inc	NA	NA	NA	36.5
Kodiak Electric Assn Inc	17.9	17.4	16.3	16.8
Kotzebue Electric Assn Inc	41.1	38.8	-	39.6
Matanuska Electric Assn Inc	15.1	12.6	-	14.2
Middle Kuskokwim Elec Coop Inc	NA	NA	NA	90.0
Naknek Electric Assn, Inc	NA	NA	NA	52.2
Nelson Lagoon Elec Coop, Inc	NA	NA	NA	73.2
Nushagak Electric Coop, Inc	NA	NA	NA	44.1
Tuntutuliak Comm Services Assn	NA	NA	NA	51.3
Unalakleet Valley Elec Coop	NA	NA	NA	40.9

Alaska	Total
<u>Publicly Owned - Small Utilities</u>	<u>Rev/kWh</u>
Akutan City of	31.7
Atka, City of	39.5
Atmautluak Tribal Utilities	62.2
Birch Creek Village Elec Util	60.0
Chefornak City of	40.0
Chignik City of	50.8
EDF Industrial Power Services (NY), LLC	86.3
Elfin Cove City of	69.2
Galena Electric Utility	50.8
Igiugig Electric Company	77.3
Inside Passage Elec Coop, Inc	59.7
Ipnatchiaq Electric Company	120.4
King Cove City of	28.1
Kokhanok Village Council	43.3
Kwig Power Company	61.0
Larsen Bay City of	38.0
Manokotak City of	41.6
Metlakatla Power & Light	10.1
Native Village of Perryville	94.8
Ouzinkie City of	37.2
Pedro Bay Village Council	75.9
Saint Paul City of	55.8
Tatitlek Electric Utility	30.5
TDX Power	85.1
Tenakee Springs City of	60.6
White Mountain City of	62.0
Yakutat Power, Inc	49.5

Source: U.S. Department of Energy, Energy Information Administration, Form EIA-861, 2013 data.

Full Service Sales vs. Unbundled (retail choice) Sales, 2013

		<u>Residential</u> <u>Rev/kWh</u>	<u>Commercial</u> <u>Rev/kWh</u>	<u>Industrial</u> <u>Rev/kWh</u>	<u>Total</u> <u>Rev/kWh</u>
All U.S. Customers					
	Full Service Sales	12.0	10.1	6.7	10.0
	Unbundled Sales	13.5	11.1	7.5	10.3
	Total: All Customers	12.1	10.3	6.9	10.1
<u>By State</u>					
California	Full Service Sales	15.3	13.6	10.7	13.8
	Unbundled Sales	20.1	11.7	9.6	11.0
	Total	15.3	13.4	10.5	13.5
Connecticut	Full Service Sales	17.1	14.5	10.1	15.8
	Unbundled Sales	17.7	14.7	13.5	15.4
	Total	17.3	14.7	12.6	15.6
Delaware	Full Service Sales	13.6	12.3	9.9	12.8
	Unbundled Sales	13.1	8.7	7.4	8.3
	Total	13.6	10.1	8.4	11.1
Illinois	Full Service Sales	11.7	9.4	5.8	10.4
	Unbundled Sales	10.0	7.2	5.8	6.8
	Total	11.4	8.0	5.8	8.4
Maine	Full Service Sales	13.8	12.4	10.9	12.8
	Unbundled Sales	14.7	11.5	7.9	11.8
	Total	14.7	11.5	8.0	11.8
Maryland	Full Service Sales	12.8	10.7	8.4	12.2
	Unbundled Sales	13.1	10.3	8.0	10.5
	Total	12.8	10.4	8.1	11.3
Massachusetts	Full Service Sales	14.8	14.1	11.1	14.0
	Unbundled Sales	15.9	13.6	13.1	13.5
	Total	14.9	13.8	12.6	13.8
Michigan	Full Service Sales	14.1	11.3	7.8	11.4
	Unbundled Sales	14.1	7.7	6.5	7.1
	Total	14.1	10.9	7.6	11.0
Montana	Full Service Sales	10.1	9.2	7.0	9.3
	Unbundled Sales	n/a	5.8	3.9	4.0
	Total	10.1	9.1	5.1	8.2
Nevada	Full Service Sales	11.8	8.9	6.7	9.1
	Unbundled Sales		6.8	4.6	5.2
	Total	11.8	8.8	6.5	8.9
New Hampshire	Full Service Sales	16.1	15.0	16.2	15.8
	Unbundled Sales	14.3	11.9	10.8	11.5
	Total	16.1	13.4	11.8	14.2

New Jersey	Full Service Sales	15.9	13.6	8.5	14.9
	Unbundled Sales	15.3	12.4	11.0	12.5
	Total	15.8	12.8	10.5	13.7
New York	Full Service Sales	17.3	16.2	7.7	16.3
	Unbundled Sales	18.8	14.5	6.3	14.0
	Total	17.6	15.1	6.7	15.1
Ohio	Full Service Sales	12.0	10.7	6.4	10.0
	Unbundled Sales	11.3	8.8	6.1	8.3
	Total	11.8	9.5	6.2	9.1
Oregon	Full Service Sales	9.8	8.3	5.6	8.3
	Unbundled Sales	n/a	7.9	5.1	6.1
	Total	9.8	8.4	5.7	8.3
Pennsylvania	Full Service Sales	12.7	11.0	7.6	12.0
	Unbundled Sales	12.8	8.9	7.2	8.8
	Total	12.7	9.4	7.2	9.9
Rhode Island	Full Service Sales	14.4	12.4	11.7	13.6
	Unbundled Sales	14.0	11.4	10.4	11.2
	Total	14.4	11.9	10.7	12.7
Texas *	(see note at bottom)				
Washington	Full Service Sales	8.5	7.7	4.1	7.0
	Unbundled Sales	n/a	4.5	4.2	4.2
	Total	8.5	7.7	4.1	6.9
Washington, DC	Full Service Sales	12.2	12.5		12.3
	Unbundled Sales	12.5	12.0	5.5	11.7
	Total	12.3	12.0	5.5	11.9

* **Note:** While Texas is a retail choice state, total sales are reported by retail electric providers, who do not differentiate between Full Service and Unbundled Sales.

**City and Borough of Sitka
Interruptible Power Rates**

Maximum charge is .11

Two month look back on cost

Billing	Cost of #2			Date Rate
Month	2 mnths prior	Multiplier	Kw rate	Changed
Jul-14	3.4618	0.0317	0.1097	
Aug-14	3.4799	0.0317	0.1103	
Sep-14	3.4466	0.0317	0.1093	
Oct-14	3.3915	0.0317	0.1075	
Nov-14	3.4328	0.0317	0.1088	
Dec-14	3.3972	0.0317	0.1077	
Jan-15	3.3352	0.0317	0.1057	1/16/2015
Feb-15	2.8709	0.0317	0.0910	
Mar-15	january	0.0317	#VALUE!	
Apr-15	february	0.0317	#VALUE!	
May-15	march	0.0317	#VALUE!	
Jun-15	april	0.0317	#VALUE!	
Jul-15	may	0.0317	#VALUE!	
Aug-15	june	0.0317	#VALUE!	
Sep-15	july	0.0317	#VALUE!	
Oct-15	august	0.0317	#VALUE!	
Nov-15	september	0.0317	#VALUE!	
Dec-15	october	0.0317	#VALUE!	
Jan-16	november	0.0317	#VALUE!	
Feb-16	december	0.0317	#VALUE!	
Mar-16	january	0.0317	#VALUE!	
Apr-16	february	0.0317	#VALUE!	
May-16	march	0.0317	#VALUE!	
Jun-16	april	0.0317	#VALUE!	
Jul-16	may	0.0317	#VALUE!	
Aug-16	june	0.0317	#VALUE!	
Sep-16	july	0.0317	#VALUE!	
Oct-16	august	0.0317	#VALUE!	
Nov-16	september	0.0317	#VALUE!	

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2015-17

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AMENDING SUBSECTION 15.01.020 OF THE SITKA GENERAL CODE ELECTRICAL RATES BY INCREASING ELECTRIC RATES TO FUND APPROVED ELECTRICAL UTILITY CAPITAL PROJECTS INCLUDING THE BLUE LAKE HYDROELECTRIC EXPANSION PROJECT AND ESTABLISHING AN ENERGY ASSISTANCE FUND

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 certain consumer classes at SGC 15.01.020 and provide sufficient revenues to meet all fiscal requirements to complete approved capital projects, including the Blue Lake Hydroelectric Expansion Project. The ability to meet financial margins and revenue bond covenants require electric rate increases.

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

* * *

Section 15.01.020 Electrical rates.

* * *

B. Residential Services. (v3) 2. Energy Charges.

Table with 4 columns: kWh range, rate per kWh, kWh range, rate per kWh. Includes Customer Charge is \$19.50 per month.

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C. General Service – Small (v4)
2. Energy Charges.

First 500 kWh	\$0.1771 per kWh
501 kWh to 10,000 kWh	\$0.1133 <u>\$0.1246</u> per kWh
10,001 kWh to 100,000 kWh	\$0.1133 <u>\$0.1218</u> per kWh
Over 100,001 kWh	\$0.1133 <u>\$0.1190</u> per kWh
Customer charge is \$39.00 per month	

3. Demand Charges.

First 25 kW	No Charge
Over 25 kW	\$5.60 per kW

D. General Service – Large (v4)
2. Energy Charges.

First 500 kWh	\$0.1771 per kWh
501 kWh to 10,000 kWh	\$0.1128 <u>\$0.1297</u> per kWh
10,001 kWh to 100,000 kWh	\$0.1128 <u>\$0.1263</u> per kWh
Over 100,001 kWh	\$0.1128 <u>\$0.1241</u> per kWh
Customer charge is \$60.00 per month	

3. Demand Charges.

First 25 kW	No Charge
Over 25 kW	\$5.60 per kW

E. General Service – Public Authority (v3)
2. Energy Charges.

First 500 kWh	\$0.1771 <u>\$0.2037</u> per kWh
501 kWh to 10,000 kWh	\$0.1133 <u>\$0.1303</u> per kWh
10,001 kWh to 100,000 kWh	\$0.1133 <u>\$0.1303</u> per kWh
Over 100,001 kWh	\$0.1133 <u>\$0.1303</u> per kWh
Customer charge is \$45.00 per month	

3. Demand Charges.

First 25 kW	No Charge
Over 25 kW	\$5.60 per kW

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* * *

M. Energy Assistance Fund. An energy assistance fund is hereby established to provide an opportunity for City and Borough of Sitka electric customers to make a voluntary monthly contribution to a fund that will provide limited financial assistance to customers. The intent of the program is to help provide emergency financial assistance to customers to pay electric utility bills. The program will be administered by the Salvation Army.

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

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this 14th day of April, 2015.

Matthew Hunter, Deputy Mayor

ATTEST:

Colleen Ingman, MMC
Municipal Clerk

Clarification: STA Board Member Miyasato recused himself did not vote nor participate.



April 1, 2015

Mayor Mim McConnell
City & Borough of Sitka
100 Lincoln Street
Sitka, AK 99835

Dear Mayor McConnell:

Sitka Tribe of Alaska is opposed to the utility rate increases being proposed by the City & Borough of Sitka. The trend of rates and fees increases imposed this past year is just too much to bear for the citizens of this community who either live on medium or low incomes or are senior citizens who live on fixed incomes. To burden the citizens with another rate increase on top of last year's increases in the utility rates and the increase in moorage rates - for the third year in a row - and other proposed rate increases, is unreasonable.

Especially impacted with this proposed rate increase are our STA Tribal citizens who are lifelong residents of Sitka, but are at the brink of being forced to consider moving out of Sitka because they simply cannot afford to live here. We see this trend already taking place among our Tribal citizens and find ourselves striving to provide the additional support to our citizens in need. We would also go so far as to say that these repeated increases have contributed to a growing homeless population in Sitka.

It appears that with this trend to move costs out of reach of the average citizen, the City & Borough of Sitka is purposely creating a community environment where only the elite can afford to live. That is not representative of the rich history of this community. The City & Borough of Sitka Assembly has had such a focus on serving a select population and large businesses, now is the time to consider how these actions affect the common citizen.

At the regular monthly STA Tribal Council meeting held on March 18, 2015, the STA Tribal Council unanimously approved the STA Tribal Chairman signing this letter in opposition to the proposed utility rate increases. We stand as representatives of our Tribal citizens to say enough is enough.

Sincerely,

Michael Baines
Tribal Chairman

cc: STA Tribal Council
CBS Assembly

RECEIVED
APR - 6 2015

City & Borough of Sitka