



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.

Customer Class	Cost of Service	Projected Revenues	% Change
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%
Total	12,634,480	11,141,455	13.4%

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.

Residential Service							
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

Boat Service							
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%
Total	\$ 11,141,455	\$ 12,513,924	\$ 1,372,469	12.3%	\$ 12,634,480	13%	1%

Table Five – Cost of Service Summary – With Rate Adjustments