



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly Members

From: Keith Brady, Municipal Administrator

Date: February 6, 2019

Subject: Seasonal Electric Rates

Summary

The seasonal electric rates were codified by the Assembly in FY17 and went into effect FY18. The ordinance proposed to save the citizens money during the winter with a lower rate, while tourists, visitors and summer businesses help offset the cost through higher summer rates. Some citizens experienced a "rate shock", especially the ones on the first and second utility billing cycle, as rates transient from lower winter kWh changes to higher summer kWh charges. There has been continued discussion on different rate scenarios that may alleviate the "rate shock" in the spring. Below are some options and implications of the seasonal electric rate scenarios we have run through.

Detail

1. Eliminate one month of the summer rate would be an average loss of \$450,000 for FY19 and each succeeding year.
2. Push back transition to summer rate a month in FY19: A change in a month to FY19 would be a loss of revenue of \$479,000.
3. Push back transition to summer rate a month starting in FY20, from April through the end of September to May through the end of October would be a loss of about \$80,000. This is due to the load variances between months of March/April versus October/November.
4. Push back the transition to summer rate time two weeks in FY20 would be a loss of about \$40,000.
5. Reduce the summer/winter seasonal delta from 19/12 cents to 18/13 or 17/14 cents. There would be revenue but it is more cost neutral if changed for FY20.
 - a. FY19 changes to 18/13 cents is \$162,000
 - b. FY19 changes to 17/14 cents is \$325,000

These numbers are variable due to load variances associated with weather, etc. Maintaining the 125% debt service bond covenant with inflation and no increase to the rates puts pressure on the Electric Enterprise Fund. The Finance Director has an attached memo that lays out the consequences of not meeting our bond covenants.