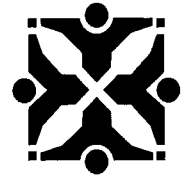


City of Columbia

701 East Broadway, Columbia, Missouri 65201



Agenda Item Number: B 109-15

Department Source: Water & Light

To: City Council

From: City Manager & Staff

Council Meeting Date: 5/4/2015

Re: Electric Revenue Increase for Electric Bond Issuance

Documents Included With This Agenda Item

Council memo, Resolution/Ordinance

Supporting documentation includes: None

Executive Summary

Following the results of the April 7th election issue for the electric bond, the electric utility now needs to increase revenue 3% in preparation for issuing the electric system bonds. This 3% electric revenue increase was planned for and detailed in the electric system bond election facts as the first of 3 electric revenue increases needed to generate the funds to make upcoming bond payments. This revenue increase is needed to cover principle and interest expenses related to the electric bond. These proposed rate changes are estimated to increase electric revenue by \$1,250,000 and PILOT revenue by \$94,000 for the remainder of Fiscal Year 2015. The total one year revenue increase from these proposed rate changes are estimated at \$3,400,000 in electric revenue and \$255,000 in PILOT revenue.

Discussion

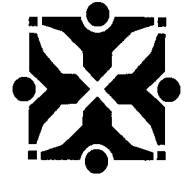
A 3% revenue increase was presented to voters as the initial part of the total rate changes needed to cover the cost of the recent electric system bond proposal. Projects focusing on electric system replacement and reliability are the bond revenue funded projects detailed in the bond election facts. The following steps are needed for successful completion of bond funding for these electric replacement and reliability projects.

1. Successful election
2. Implementation of revenue increase to meet future bond payments
3. Reimbursement Resolution to fund "in progress" bond projects
4. Establish Columbia Water & Lights Bond Rating for this issue, important factors for this rating are:
 - a. Cash Reserve Policy and current levels
 - b. Projected Revenue and Expenses
 - c. Current and forecasted Debt Coverage Ratios
5. Issuance of Municipal Bonds for Columbia Electric Utility
 - a. Planned for July 2015

Enterprise revenue funded projects focusing on electric system expansion and new connections are

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scheduled to be focused on as part of this year's budget process.

The electric utility utilizes cost-of-service analysis as a consideration in rate design. The cost-of-service model, provided by an outside consultant in 2012, has been updated by utility staff. The proposed rate changes increase cost for different classes of customers by different amounts. This is consistent with the results of the cost-of-service analysis. The financial impact on customers is another consideration in rate design and proposed changes are not intended to move all classes the full percentage identified in the cost-of-service analysis. Changes will be monitored and incremental changes will be made when future rate changes are necessary. The only class of customer where changes are not recommended is the Large General Service customer class. The cost-of-service analysis showed that this class of customer is paying an appropriate amount at this time.

This 3% revenue increase and rate change was considered and endorsed by the Water & Light Advisory Board at their April 15th meeting.

The following information provides detail of the change proposed for each rate. The estimate percentage increase in annual revenue for the class of customer is also noted:

Residential Electric without Electric Heating (2.6%):

- Increase Customer Charge from \$14.60 to \$15.60.
- Increase the Customer Charge for non-standard meters from \$19.60 per month to \$20.60 per month.
- Increase the energy charge for the first 300 kWh rate block at from \$0.0747 per kWh to \$0.0752 per kWh.
- Increase the energy charge for the next 450 kWh rate block from \$0.0963 per kWh to \$0.098 per kWh.
- During the summer months, for usage from 751 kWh to 2,000 kWh, the energy charge is increased from \$0.1303 per kWh to \$0.1336 per kWh.
- During the summer months, for usage above 2,000 kWh, the energy charge is increased from \$0.1410 per kWh to \$0.1445 per kWh.
- During the non-summer months, for usage above 750 kwh, the energy charge is increased from \$0.111 per kWh to \$0.1132 per kWh.

Residential Electric Heating (5.2%):

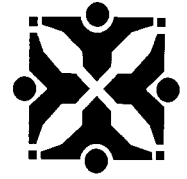
- Same changes proposed for Residential Electric without Electric Heating except –
- During the non-summer months, for all usage above 750 kWh, increase the energy charge from \$0.085 per kWh to \$0.0942 per kWh.

Residential High Efficiency Heat Pump (4.6%):

- Same changes proposed for Residential Electric without Electric Heating except –
- During the non-summer months, for all usage above 750 kWh, increase the energy charge from \$0.082 per kWh to \$0.0893 per kWh.

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Small General Service Electric without Electric Heating (7.4%):

- Increase Customer Charge from \$14.60 to \$15.60 for single-phase service. Increase Customer Charge from \$20.00 to \$25.70 for three-phase service.
- Increase the energy charge for the first 500 kWh rate block from \$0.0765 per kWh to \$0.08 per kWh.
- During the summer months, increase the energy charge for the next 1,000 kWh rate block from \$0.0963 per kWh to \$0.102 per kWh.
- During the summer months, increase the energy charge for all kWh usage above 1,500 from \$0.1303 per kWh to \$0.1407 per kWh.
- During non-summer months, for all usage above 500 kWh, increase the energy charge from \$0.0963 per kWh to \$0.102 per kWh.

Small General Service Electric Heating (7.9%):

- Same changes proposed for Small General Service Electric without Electric Heating except –
- During the non-summer months increase the energy charge from \$0.0963 per kWh to \$0.102 per kWh, for usage from 501 kWh through 1,500 kWh.
- During the non-summer months, for all usage above 1,500 kWh, increase the energy charge from \$0.087 per kWh to \$0.094 per kWh.

Small General Service High Efficiency Heat Pump (7.7%):

- Same changes proposed for Small General Service Electric without Electric Heating except –
- During the non-summer months increase the energy charge from \$0.0963 per kWh to \$0.102 per kWh, for usage from 501 kWh through 1,500 kWh.
- During the non-summer months, for all usage above 1,500 kWh, increase the energy charge from \$0.082 per kWh to \$0.0886 per kWh.

Optional Demand Rate for Small General Service Customers (4.6%):

- Increase Customer Charge from \$20.00 per month to \$45.00 per month.

Interruptible Service Rate (9.0%):

- Increase Customer Charge from \$55.00 per month to \$60.00 per month.
- During the summer months increase the energy charge from \$0.043 per kWh to \$0.0469 per kWh for all kWh usage.
- During the summer months increase the demand charge from \$9.25 per kW to \$10.08 per kW.
- During the non-summer months increase the energy charge from \$0.0402 per kWh to \$0.0438 per kWh for all kWh usage.
- During the non-summer months increase the demand charge from \$7.40 per kW to \$8.07 per kW.

Industrial Rate (3.7%):

- Increase Customer Charge from \$45.00 per month to \$150.00 per month.
- During the summer months increase the minimum demand charge from \$15,262.50 to

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- \$15,525.00 for 750 kW or less.
- During the summer months increase the demand charge from \$20.35 per kW to \$20.70 per kW for all kW over 750.
- During the non-summer months increase the minimum demand charge from \$12,210.00 to \$12,375.00 for 750 kW or less.
- During non-summer months increase the demand charge from \$16.28 per kW to \$16.50 per kW.
- During the summer months increase the energy charge from \$0.045 per kWh to \$0.0473 per kWh for all kWh usage.
- During the non-summer months increase the energy charge from \$0.0385 per kWh to \$0.0404 per kWh for all kWh usage.
- During the summer months increase the off-peak energy charge from \$0.03147 per kWh to \$0.0369 per kWh for all off-peak energy under the thermal storage rider.
- During the non-summer months increase the off-peak energy charge from \$0.03147 per kWh to \$0.033 per kWh for all off-peak energy under the thermal storage rider.
- During the summer months increase the off-peak energy charge from \$0.03229 per kWh to \$0.0378 per kWh for all off-peak energy for qualified high load factor customers.
- During the non-summer months increase the off-peak energy charge from \$0.03229 per kWh to \$0.0339 per kWh for all off-peak energy for qualified high load factor customers.

Special Outdoor Lighting Rate (10%):

- Increase Customer Charge from \$50.00 per month to \$55.00 per month.
- Increase energy charge from \$0.1135 per kWh to \$0.1249 per kWh.

Discount for direct load control:

- Reduce the direct load control discount, for qualified customers, from 3% of summer bills to 2% of summer bills.

Fiscal Impact

Short-Term Impact: 3% Electric Rate Impact

Long-Term Impact: 3% Electric Rate Impact

Vision, Strategic & Comprehensive Plan Impact

Vision Impact: Not Applicable

Strategic Plan Impact: Infrastructure

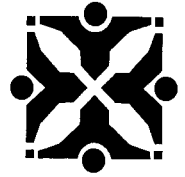
Comprehensive Plan Impact: Not Applicable

Suggested Council Action

Recommend approval of the 3% electric utility revenue increase for electric bond issuance

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Legislative History

04/15/15 Revenue increase considered and endorsed by the Water & Light Advisory Board.

04/07/15 Issuance of electric bonds received voter approval.

01/20/15 Council approval of Ordinance calling for special election.

12/15/14 Electric bond presentation at Council Work Session

12/03/14 April electric bond issues considered and endorsed by the Water & Light Advisory Board.


Department Approved


City Manager Approved

Introduced by _____

First Reading _____

Second Reading _____

Ordinance No. _____

Council Bill No. B 109-15

AN ORDINANCE

amending Chapter 27 of the City Code as it relates to electric rates; and fixing the time when this ordinance shall become effective.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF COLUMBIA, MISSOURI, AS FOLLOWS:

SECTION 1. Chapter 27 of the Code of Ordinances of the City of Columbia, Missouri, is hereby amended as follows:

Material to be deleted in ~~strikeout~~; material to be added underlined.

Sec. 27-112. Same--Residential service rate.

...

(c) *Monthly rate charge.* The monthly rate per kilowatt hour shall be as follows, subject to fuel adjustments as provided in section 27-118:

(1) Customer charge \$ ~~14.60~~ 15.60 per month

Non-standard electric meter customer charge ~~19.60~~ 20.60 per month

(2) Energy charge

Summer:

First 300 kwh..... \$ ~~7.47~~ 7.52 cents per kwh

Next 450 kwh ~~9.63~~ 9.8 cents per kwh

Next 1,250 kwh ~~13.03~~ 13.36 cents per kwh

All remaining kwh ~~14.10~~ 14.45 cents per kwh

Non-summer:

First 300 kwh..... ~~7.47~~ 7.52 cents per kwh

Next 450 kwh ~~9.63~~ 9.8 cents per kwh

All remaining kwh ~~11.1~~ 11.32 cents per kwh

Except when the customer has permanently installed in a living area a minimum of five (5) kilowatts of utility-approved electric space heating equipment which is the sole source of comfort heating (except decorative fireplaces) for the area(s) to be heated, the rate per kwh for the non-summer season will be:

First 300 kwh ~~7.47~~ 7.51 cents per kwh

Next 450 kwh ~~9.63~~ 9.8 cents per kwh

All remaining kwh..... ~~8.5~~ 9.42 cents per kwh

(d) *Minimum:* The minimum monthly rate charge shall be ~~fourteen dollars and sixty cents (\$14.60)~~ fifteen dollars and sixty cents (\$15.60). The minimum monthly rate charge for customers with a non-standard electric meter shall be ~~nineteen dollars and sixty cents (\$19.60)~~ twenty dollars and sixty cents (\$20.60).

...

Sec. 27-113. Same--Residential heat pump rate.

...

(c) *Monthly rate charge:* The monthly rate charge shall be as follows, subject to fuel adjustments as provided in section 27-118:

Customer charge \$ ~~14.60~~ 15.80 monthly

Non-standard electric meter customer charge ~~19.60~~ 20.60 per month

First 300 kwh ~~7.47~~ 7.52 cents per kwh

Next 450 kwh ~~9.63~~ 9.8 cents per kwh

All kwh above 750 kwh ~~8.2~~ 8.93 cents per kwh

The monthly rate would apply to permanently installed heat pumps for the non-summer season.

(d) *Minimum:* The minimum monthly rate charge shall be ~~fourteen dollars and sixty cents (\$14.60)~~ fifteen dollars and eighty cents (\$15.80). The minimum monthly rate

charge for customers with a non-standard electric meter shall be ~~nineteen dollars and sixty cents (\$19.60)~~ twenty dollars and sixty cents (\$20.60).

...

Sec. 27-114. Same--Small general service rate.

...

(c) *Monthly rate charge:* The monthly rate per kilowatt hour shall be as follows, subject to fuel adjustments as provided in section 27-118:

(1) Customer charge:

Single-phase service..... \$ ~~14.60~~ 15.60 per month

Three-phase service ~~20.00~~ 25.70 per month

(2) Energy charge:

Summer:

First 500 kwh..... ~~7.65~~ 8.0 cents per kwh

Next 1,000 kwh ~~9.63~~ 10.2 cents per kwh

All remaining kwh ~~13.03~~ 14.07 cents per kwh

Non-summer:

First 500 kwh..... ~~7.65~~ 8.0 cents per kwh

All remaining kwh ~~9.63~~ 10.2 cents per kwh

(d) *Space heating:* For customers using electric heating as the sole means of comfort heating, the monthly rate per kilowatt hour billed during the non-summer season shall be as follows:

First 500 kwh ~~7.65~~ 8.0 cents per kwh

Next 1,000 kwh ~~9.63~~ 10.2 cents per kwh

All remaining kwh..... ~~8.7~~ 9.4 cents per kwh

(e) *High efficiency heat pumps:* For customers having a permanently installed heat pump which is the primary source of comfort heating and which conforms to the special rules and regulations outlined in department rules entitled "Heat Pump Rules and

Regulations," the monthly rate per kilowatt hour billed during the non-summer season for energy shall be as follows:

First 500 kwh ~~7.65~~ 8.0 cents per kwh
 Next 1,000 kwh ~~9.63~~ 10.2 cents per kwh
 All remaining kwh..... ~~8.2~~ 8.86 cents per kwh

(f) *Minimum bill:* The minimum bill for single-phase service, shall be ~~fourteen dollars and sixty cents (\$14.60)~~ fifteen dollars and sixty cents (\$15.60) per month; for three-phase service, ~~twenty dollars (\$20.00)~~ twenty-five dollars and seventy cents (\$25.70) per month.

...

(l) *Optional rate schedule:* Customers in this rate class may voluntarily be placed on a demand billing rate as follows:

(1) Customer charge ~~\$20.00~~ 45.00 per month

...

Sec. 27-115. Same--Interruptible service rate.

...

(c) *Monthly rate charge:* The monthly rate per kilowatt hour shall be as follows, subject to fuel adjustments as provided in section 27-118:

		Summer	Non-summer
(1)	Customer charge (per month)	\$55.00 <u>60.00</u>	\$55.00 <u>60.00</u>
(2)	Demand charge (per kilowatt)	9.25 <u>10.08</u>	7.40 <u>8.07</u>
(3)	Energy charge (per kilowatt hour)	0.043 <u>0.0469</u>	0.0402 <u>0.0438</u>

...

Sec. 27-117. Same--Industrial service rate.

...

(c) *Monthly rate charge:* The monthly rate per kilowatt hour shall be as follows, subject to fuel adjustments as provided in section 27-118:

(1)	Customer charge....	\$ 45.00 <u>150.00</u> per month	
		Summer	Non-summer
(2)	<i>Demand charge:</i>		
	a. Minimum demand charge 750 kw or less....	\$ 15,262.50 <u>15,525.00</u>	\$12,210.00 <u>12,375.00</u>
	b. All additional kw (per kw)....	20.35 <u>20.70</u>	16.28 <u>16.50</u>
(3)	<i>Energy charge:</i>		
	All kwh (per kwh)....	0.045 <u>0.0473</u>	0.0385 <u>0.0404</u>

...

(k) *Thermal storage rider.*

...

(2) *Energy charge:* Energy supplied for the period beginning 12:00 midnight and ending at 6:00 a.m. shall be charged at the rate of ~~3.447~~ 3.69 cents per kwh during the summer months and 3.3 cents per kwh during the non-summer months. Energy charged at this rate will be subject to the fuel adjustment allowance in section 27-118.

...

(l) *Off-peak discount.*

...

(2) *Energy charge:* Energy supplied for the period beginning 12:00 midnight and ending at 6:00 a.m. shall be charged at the rate of ~~3.229~~ 3.78 cents per kwh during the summer months and 3.39 cents per kwh during the non-summer months. Energy charged at this rate will be subject to the fuel adjustment allowance in section 27-118.

...

Sec. 27-121.1. Special outdoor lighting.

...

(c) Monthly rate charge. The monthly rate per kilowatt hour shall be as follows, subject to fuel adjustment as provided in section 27-118:

Customer charge.....\$~~50.00~~ 55.00

Cost per kwh~~41.35~~ 12.49 cents per kwh

. . .

Sec. 27-129. Discount for direct load control—Residential service rate and small general service rate.

A ~~three (3)~~ two (2) percent discount shall be offered on the customer charge and usage, net of fuel adjustment, and before taxes are applied on service used during summer as defined in section 27-16 for electric service provided under the residential service rate (section 27-112), and the small general service rate (section 27-114) when the customer receiving such service allows the city to install and operate a radio-controlled switching device on the customer's air-conditioning or heat pump equipment, subject to the following conditions:

. . .

Sec. 27-130. Same—Large general service.

A discount shall be offered on service used during summer as defined in section 27-16 for electric service provided under the large general service (section 27-116) when the customer receiving such service allows the city to install and operate a radio-controlled switching device on the customer's air-conditioning or heat pump equipment, subject to the following conditions:

- (1) A ~~three (3)~~ two (2) percent discount shall be offered on the customer charge and usage, net of fuel adjustment, and before taxes.

. . .

SECTION 2. The new rates established in this ordinance shall be applied to utility bills beginning with the first complete cycle billed after June 1, 2015.

SECTION 3. This ordinance shall be in full force and effect from and after its passage.

PASSED this _____ day of _____, 2015.

ATTEST:

City Clerk

Mayor and Presiding Officer

APPROVED AS TO FORM:

City Counselor