

COUNCIL ACTION FORM

SUBJECT: ELECTRIC UTILITY RATE CHANGES

BACKGROUND:

As discussed during the FY 2009/10 budget process, the City of Ames Electric Services budget included a 5.0% metered electric rate increase to take effect with the bills issued on or after July 1, 2009. An increase of the commercial and industrial power factor adjustment from 85% to 90% is also included in this ordinance change. The revenue resulting from this rate increase is needed to fund plant maintenance, improvements, and operating costs while maintaining an adequate fund balance for the utility.

The power factor adjustment increase is intended to induce customers with poor power factors to take corrective steps and make improvements leading to more efficient use of electricity. This will lead to a reduction in overall capacity requirements. The proposed increase in the power factor adjustment was determined to be necessary since the existing adjustment is too small to act as a motivator for most customers to improve power factor performance. Poor power factor conditions for our larger customers lead to added capacity requirements for the entire system. The attached spreadsheets illustrate sample bill impacts of this rate increase on various classes of customers, a comparison of the current and proposed rate structure, and power factor adjustment change on several large power customers. **These increases take effect if customers make no modifications to their systems to improve their power factors. The Utility's Demand Side Management Program provides for assistance to customers wishing to improve their power factors.**

The proposed rate change is an across-the-board increase with no change to our current rate structure for all customer classes. Following this rate increase, the Utility will conduct an extensive cost-of-service study and prepare alternative rate structures, and analyze the impacts of alternate rate structures on the various classes of customers.

This rate increase is the third in a series of planned rate increases. The first was a 3.5% increase for 2006/07, and the second was an 8.0% increase during 2008/09. The timing and amount of any future rate increases will be dependent on the capital costs which the Utility will need to incur to meet demand, capital and environmental requirements.

Attached is the edited ordinance section reflecting the increased rates and the increase in power factor adjustment.

ALTERNATIVES:

1. Approve the proposed changes to the Electric Utility rate ordinance to increase overall rates for all classes of customers of the Electric Utility by 5.0% for bills issued on or after July 1, 2009, and also increase the power factor adjustment from 85% to 90% as included in the 2009/10 budget.
2. Approve either the rate increase or the increase in the power factor adjustment, but not both at this time.
3. Refer the Electric Utility rate ordinance back to staff with direction to develop an alternative rate structure. Depending on the complexity of the desired rate structure, this alternative would likely delay implementation of a rate increase, and could result in a larger rate increase or not achieving the Electric Utility fund balance target unless other changes are made to reduce budget expenditures.
4. Do not approve a rate increase at this time. This alternative will require extensive changes to the Electric Utility budget since a 5.0% revenue increase was included in the adopted budget.

MANAGER'S RECOMMENDED ACTION:

The Electric Utility is embarking on major maintenance projects and the completion of a vital transmission project in the next year to 18 months that will help secure the future power supply of our customers for the next 20 years. The current rate structure will not supply the revenue necessary to complete these large projects. In addition, a number of large power customers have poor power factors that result in the Utility needing to supply capacity beyond what would be necessary if those power factors were improved. It is time for those customers with poor power factors to take advantage of the Utility's Demand Side Management Program and make upgrades to their equipment for the benefit of all customers by avoiding unnecessary additional capacity.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1 and approve a 5% rate increase for all customer classes effective with the bills issued on or after July 1, 2009, and also increase the power factor adjustment point for large customers from 85% to 90%.

2009 Electric Rate 5% Increase
 Revised: 2009 April 10

Section	Description / Months Bills Mailed	Current	Proposed
28.103. Residential	Service charge	\$5.00	\$5.25
	July - October		
	Flat Rate	\$0.0825	\$0.0866
	November - June		
	first 400 kWh	\$0.0760	\$0.0798
	next 600 kWh	\$0.0637	\$0.0669
	all over 1,000 kWh	\$0.0604	\$0.0634
Minimum bill	\$5.00	\$5.25	
28.104. General Power	Service charge	\$6.00	\$6.30
	July - October		
	first 2,000 kWh	\$0.0917	\$0.0963
	next 5,000 kWh	\$0.0783	\$0.0822
	all over 7,000 kWh	\$0.0760	\$0.0798
	November - June		
	first 2,000 kWh	\$0.0715	\$0.0751
	next 5,000 kWh	\$0.0593	\$0.0623
	all over 7,000 kWh	\$0.0570	\$0.0599
	Minimum bill	\$6.00	\$6.30
Fluctuating load	\$0.311	\$0.327	
28.105. Large Power	Service Charge	\$45.00	\$48.00
	July - October		
	first 50 kW demand	\$4.751	\$5.000
	next 100 kW demand	\$4.304	\$4.520
	all over 150 kW demand	\$3.857	\$4.050
	kWh for first 200 hours of demand	\$0.0615	\$0.0646
	kWh for next 200 hours of demand	\$0.0425	\$0.0446
	all kWh over 400 hours of demand	\$0.0391	\$0.0411
	November - June		
	first 50 kW demand	\$3.410	\$3.581
	next 100 kW demand	\$2.962	\$3.110
	all over 150 kW demand	\$2.515	\$2.641
	kWh for first 200 hours of demand	\$0.0525	\$0.0551
kWh for next 200 hours of demand	\$0.0414	\$0.0435	
all kWh over 400 hours of demand	\$0.0369	\$0.0387	
Power Factor Adjustment	85%	90%	

Section	Description / Months Bills Mailed	Current	Proposed
28.106. Industrial	Service charge	\$112.00	\$118.00
	July - October		
	demand charge for all kW	\$3.857	\$4.050
	kWh for first 200 hours of demand	\$0.0548	\$0.0575
	kWh for next 200 hours of demand	\$0.0369	\$0.0387
	all kWh over 400 hours of demand	\$0.0347	\$0.0364
	November - June		
	demand charge for all kW	\$2.515	\$2.641
	kWh for first 200 hours of demand	\$0.0470	\$0.0494
	kWh for next 200 hours of demand	\$0.0357	\$0.0375
	all kWh over 400 hours of demand	\$0.0324	\$0.0340
	Power Factor Adjustment	85%	90%
28.107 Street & Security Lighting	1,000 Watt - Mercury Vapor	\$23.25	\$24.45
	700 Watt - Mercury Vapor	\$16.95	\$17.80
	400 Watt - Mercury Vapor	\$10.60	\$11.15
	400 Watt - Mercury Vapor-Orn	\$12.85	\$13.50
	250 Watt - Mercury Vapor	\$7.60	\$8.00
	250 Watt - Mercury Vapor-Orn	\$11.30	\$11.90
	175 Watt - Mercury Vapor	\$6.25	\$6.60
	175 Watt - Mercury Vapor-Orn	\$8.45	\$8.90
	400 Watt - H.P. Sodium	\$11.45	\$12.05
	400 Watt - H.P. Sodium-Orn	\$12.85	\$13.50
	360 Watt - H.P. Sodium	\$10.85	\$11.40
	360 Watt - H.P. Sodium-Orn	\$12.25	\$12.90
	250 Watt - H.P. Sodium	\$8.30	\$8.75
	250 Watt - H.P. Sodium-Orn	\$11.75	\$12.35
	200 Watt - H.P. Sodium	\$8.05	\$8.45
	200 Watt - H.P. Sodium-Orn	\$11.75	\$12.35
	150 Watt - H.P. Sodium	\$6.95	\$7.30
	150 Watt - H.P. Sodium-Orn	\$9.15	\$9.65
	100 Watt - H.P. Sodium	\$5.60	\$5.90
	100 Watt - H.P. Sodium-Orn	\$7.60	\$8.00
	70 Watt - H.P. Sodium	\$4.90	\$5.15
	70 Watt - H.P. Sodium-Orn	\$7.00	\$7.35
	Flood lights, per lamp adder	\$0.60	\$0.65
	Energy only charge	\$0.075	\$0.080

Section	Description / Months Bills Mailed	Current	Proposed
	Power Factor Adjustment	85%	90%

ORDINANCE NO. _____

AN ORDINANCE TO AMEND THE MUNICIPAL CODE OF THE CITY OF AMES, IOWA, BY REVISION TO SECTIONS 28.103(2)(a)(b)(i)(ii)(3), 28.104(2)(a)(b)(i)(ii)(3)(4)(ii), 28.105(2)(a)(b)(i)(ii)(5), 28.106(2)(a)(b)(i)(ii)(5), 28.107(2)(a)(i)(3)(d)(f), THEREOF, FOR THE PURPOSE OF SETTING RATES FOR ELECTRIC POWER; REPEALING ANY AND ALL ORDINANCES OR PARTS OF ORDINANCES IN CONFLICT TO THE EXTENT OF SUCH CONFLICT; AND ESTABLISHING AN EFFECTIVE DATE.

BE IT ENACTED, by the City Council for the City of Ames, Iowa, that:

Section One. The Municipal Code of the City of Ames, Iowa shall be and the same is hereby amended by revising 28.103(2)(a)(b)(i)(ii)(3), 28.104(2)(a)(b)(i)(ii)(3)(4)(ii), 28.105(2)(a)(b)(i)(ii)(5), 28.106(2)(a)(b)(i)(ii)(5), 28.107(2)(a)(i)(d)(f) as follows:

“Sec. 28.103. RESIDENTIAL ELECTRIC RATES.

- (2) **Rate per billing period.** For each monthly billing period a residential rate customer:
- (a) shall be charged five dollars and twenty-five cents (\$5.25) as a customer service charge, and
 - (b) in addition, shall be charged for energy consumption during the billing period as follows:
 - (i) for bills mailed on or between July 1 and October 31 (summer period):
\$0.0866 per kWh, or
 - (ii) for bills mailed on or between November 1 and June 30 (winter period):
\$0.0798 per kWh for the first 400 kWh
\$0.0669 per kWh for the next 600 kWh
\$0.0634 per kWh for all kWh over 1000 kWh,
- and
- (3) **Minimum bill:** The minimum charge per billing period shall be five dollars and twenty-five cents (\$5.25).

Sec. 28.104. GENERAL POWER RATE.

- (2) **Rate per billing period:** For each monthly billing period a general power rate customer:
- (a) shall be charged six dollars and thirty cents (\$6.30) as the customer service charge; and,
 - (b) in addition, shall be charged for energy consumption during the billing as follows:
 - (i) for bills mailed on or between July 1 and October 31 (summer period):
\$0.0963 per kWh for the first 2000 kWh
\$0.0822 per kWh for the next 5000 kWh
\$0.0798 per kWh for all kWh over 7000 kWh.
 - (ii) for bills mailed on or between November 1 and June 30 (winter period):

\$0.0751 per kWh for the first 2000 kWh
\$0.0623 per kWh for the next 5000 kWh
\$0.0599 per kWh for all kWh over 7000 kWh.

(3) **Minimum bill:** The minimum charge per billing period shall be six dollars and thirty cents (\$6.30).

(4) **Conditions:**

(ii) **Fluctuating loads.** Loads requiring excess transformer capacity because of large momentary current requirements, or to provide close voltage regulation, shall be subject to an additional charge of \$0.327 per rated kVA of capacity above normal capacity requirement for the diversified demand. The kVA subject to an additional charge will be adjusted no more than once a year. No charge shall apply if the customer furnishes the transformers.

(Ord. No. 3885, 07-25-06)

Sec. 28.105. LARGE POWER RATE.

(2) **Rate per Billing Period.** For each monthly billing period, a large power rate customer:

(a) shall be charged forty-eight dollars (\$48.00) as a customer service charge, and

(b) in addition, shall be charged for demand and energy consumption during the billing period as follows:

(i) for bills mailed on or between July 1 and October 31 (summer period) a customer shall be charged a demand of:

\$5.000 per kW for the first 50 kW of billing demand

\$4.520 per kW for the next 100 kW of billing demand

\$4.050 per kW for all kilowatts over 150 kW of billing demand and an energy charge of:

\$0.0646 per kWh for the first 200 hours use of billing demand

\$0.0446 per kWh for the next 200 hours use of billing demand

\$0.0411 per kWh for all kWh over 400 hours use of billing demand

(ii) for bills mailed on or between November 1 and June 30 (winter period) a customer shall be charged a demand charge of:

\$3.581 per kW for the first 50 kW of billing demand

\$3.110 per kW for the next 100 kW of billing demand

\$2.641 per kW for all kilowatts over 150 kW of billing demand and an energy charge of:

\$0.0551 per kWh for the first 200 hours use of billing demand

\$0.0435 per kWh for the next 200 hours use of billing demand

\$0.0387 per kWh for all kWh over 400 hours use of billing demand

(5) **Power factor adjustment:** A power factor adjustment may be made, at the option of the Ames Municipal Electric System, when the power factor is less than 90% lagging. If the power factor is less than 90% lagging, the billing demand may be increased by 1½% for each whole 1% the power factor is below 90%.

Sec. 28.106. INDUSTRIAL RATE.

(2) **Rate Per Billing Period.** For each monthly billing period, an industrial rate customer

(a) shall be charged one hundred eighteen dollars (\$118.00) as a customer service charge, and

(b) in addition, shall be charged for demand and energy consumption during the billing period as follows:

(i) for bills mailed on or between July 1 and October 31 (summer period) a customer shall be charged a demand charge of \$4.050 per kW for all kilowatts of billing demand, and an energy charge of:

- \$0.0575 per kWh for the first 200 hours of billing demand
- \$0.0387 per kWh for the next 200 hours use of billing demand
- \$0.0364 per kWh for all kWh over 400 hours use of billing demand

(ii) for bills mailed on or between November 1 and June 30 (winter period) a customer shall be charged a demand charge of:

\$2.641 per kW for all kilowatts of billing demand, and an energy charge

of:

- \$0.0494 per kWh for the first 200 hours use of billing demand
- \$0.0375 per kWh for the next 200 hours use of billing demand
- \$0.0340 per kWh for all kWh over 400 hours use of billing demand

(5) **Power Factor Adjustment.** A power factor adjustment may be made, at the option of the Ames Municipal Electric System, when the power factor is less than 90% lagging. If the power factor is less than 90% lagging, the billing demand may be increased by 1½% for each whole 1% the power factor is below 90%.

Sec. 28.107. STREET AND SECURITY LIGHTING RATE.

(2) **Rate per Billing Period.** For each monthly billing period the lighting customer:

(a) shall be charged for service per lamp:

(i) for bills mailed on or after July 1, 2009:

	Monthly Charge	Monthly Consumption Lamp (kWh per Lamp)
1000 Watt - Mercury Vapor	24.45	383
700 Watt - Mercury Vapor	17.80	268
400 Watt - Mercury Vapor	11.15	153
400 Watt - Mercury Vapor-Ornamental	13.50	153
250 Watt - Mercury Vapor	8.00	96
250 Watt - Mercury Vapor-Ornamental	11.90	96
175 Watt - Mercury Vapor	6.60	67
175 Watt - Mercury Vapor-Ornamental	8.90	67
400 Watt - High Pressure Sodium	12.05	153
400 Watt - High Pressure Sodium-Ornamental	13.50	153
360 Watt - High Pressure Sodium	11.40	138
360 Watt - High Pressure Sodium-Ornamental	12.90	138
250 Watt - High Pressure Sodium	8.75	96
250 Watt - High Pressure Sodium-Ornamental	12.35	96
200 Watt - High Pressure Sodium	8.45	77
200 Watt - High Pressure Sodium-Ornamental	12.35	77
150 Watt - High Pressure Sodium	7.30	60
150 Watt - High Pressure Sodium-Ornamental	9.65	60
100 Watt - High Pressure Sodium	5.90	38
100 Watt - High Pressure Sodium-Ornamental	8.00	38
70 Watt - High Pressure Sodium	5.15	27
70 Watt - High Pressure Sodium-Ornamental	7.35	27

(3) **Conditions.**

(d) Flood lights, where available from utility stock, shall have an additional monthly charge of \$0.65 per lamp.

(f) Contract for energy only charges will be billed at a rate of \$0.080 per kilowatt hour plus the applicable energy cost adjustment.

Section Two. All ordinances, or parts of ordinances, in conflict herewith are hereby repealed to the extent of such conflict, if any.

Section Three. This ordinance shall be in full force and effect from and after its passage and publication as required by law.

Passed this _____ day of _____, ____.

Diane R. Voss, City Clerk
O1008

Ann H. Campbell, Mayor