

COUNCIL ACTION FORM

SUBJECT: CHANGES TO CHAPTER 28, ELECTRIC RATE MODIFICATIONS

BACKGROUND:

Electric utilities periodically conduct cost-of-service and rate design studies to help make long-term financial plans, promote efficient use of resources, and provide fair and equitable rates for customers.

Ames Electric Services completed a cost-of-service study in 2024. At the June 18, 2024, City Council/EUORAB Workshop, Mark Beauchamp from Utility Financial Solutions presented results from the cost-of-service study and recommended a series of 1.5% increase to Electric rates across the board beginning in 2025.

The Electric Utility Operations Review and Advisory Board (EUORAB) met on June 20, 2024, to discuss the cost-of-service study and rate increases at the direction of the City Council. Based on the results of the study and EUORAB's review, EUORAB recommended that a 1.5% rate increase be adopted to go into effect following the 2025 summer season.

This increase is to be applied to monthly customer service charges, demand rates if applicable, and energy rates. In anticipation of the Council's approval, the revenue included in the FY 2025/26 budget reflects the implementation of the 1.5% electric rate increase.

At the last City Council meeting, Council directed the City Attorney to create proposed language changes to the municipal code as outlined below. In addition, several non-material changes were made to other parts of the code to clarify interpretation. A red-lined version of the changes to the *Municipal Code* is attached.

PROPOSED CHANGES TO THE CUSTOMER SERVICE CHARGE, DEMAND CHARGE, AND ENERGY CHARGE:

The **Customer Service Charge** is a fixed monthly amount charged to each customer, regardless of how much energy is used. The Customer Service Charge covers the cost of customer class-specific infrastructure (such as service drops and meters), a portion of the distribution system needed to serve the customer, meter reading, and billing. **EUORAB has recommended raising the Customer Service Charge for Residential, Small Commercial, Commercial and Industrial customers by 1.5%.**

The **Demand Charge** is a rate charged to Commercial & Industrial customers and is multiplied by the 15 minute "peak" consumption by the customer in a given month. There is both a summer season rate and a winter season rate. **EUORAB has recommended raising the Demand Charge for Commercial and Industrial customers by 1.5%.**

The **Energy Charge** is a rate charged to all customers and is multiplied by the total electric consumption in a given month. For Residential and Small Commercial customers there is both

a summer season rate and a winter season rate. Commercial and Industrial customers have a constant year-long rate. **EUORAB has recommended raising the Energy Charges for all customers by 1.5%.**

The table below describes the proposed changes.

Customer Class	EXISTING			PROPOSED		
	Customer Service Charge	Winter/Summer Energy Rate \$/kWh	Winter/Summer Demand Rate \$/kVA	Customer Service Charge	Winter/Summer Energy Rate \$/kWh	Winter/Summer Demand Rate \$/kVA
Residential	\$ 14.25	\$ 0.0893/ \$ 0.1101		\$ 14.46	\$ 0.0906/ \$ 0.1118	
Small Commercial	\$ 20.50	\$ 0.0967/ \$ 0.1175		\$ 20.81	\$ 0.0982/ \$ 0.1193	
Commercial	\$ 156.00	\$ 0.0653	\$ 8.01/\$ 10.71	\$ 158.34	\$ 0.0663	\$ 8.13/\$ 10.87
Industrial	\$ 1,100.00	\$ 0.0642	\$ 7.80/\$ 10.40	\$ 1,116.50	\$ 0.0652	\$ 7.92/\$ 10.56

At this time, staff is not requesting any changes to the new Time-of-Use energy rates created at the end of 2024.

ALTERNATIVES:

1. Approve proposed changes to Chapter 28 of the *Municipal Code*, as described above, on first reading.
2. Do not approve the changes to Chapter 28 of the *Municipal Code* and direct staff and/or EUORAB to perform additional review.

CITY MANAGER'S RECOMMENDED ACTION:

Adopting the proposed changes will better align existing rates with the cost-of-service study results which assumes additional revenue needs for new generation infrastructure along with increasing renewable resources. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative 1.

ATTACHMENT(S):

[Ordinance \(Electric Rates\).PDF](#)