



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of December 9, 2024

Title/Subject

A resolution adopting the Hermiston Energy Services Customer Service Policies, Rates, & Associated Fees Manual.

Summary and Background

In October, Hermiston Energy Services presented information and asked for direction to adjust our retail rates for all service classes effective on bills calculated after March 1, 2025.

The primary factors in the need to adjust rates has been increases in wholesale electricity prices, material cost increases and HES's Construction Work Plan.

Rate increases are an unfortunate and unavoidable part of the utility business, but I would like to spend a minute explaining what goes into the process of changing rates.

HES commissioned an independent Cost of Service Analysis (COSA) to help apply rate changes to better mirror how the HES is charged for wholesale power and to reflect the cost of providing service to various rate classes.

Under the recommended rate adjustments from the COSA and feedback from Council in October, HES suggested two options for rate adjustment:

Option A: Split the rate adjustment into two phases; a 9.93% adjustment effective March 1, 2025, and a 9.96% adjustment effective March 1, 2026. Customer class rate percentage adjustments will vary (see below).

Option B: Split the rate adjustment into three phases; a 7.84% adjustment effective March 1, 2025, a 6.49% adjustment effective March 1, 2026 and a 5.19% adjustment effective October 1, 2026. Customer class rate percentage adjustments will vary (see below).

Hermiston Energy serves more than 5,500 accounts in Hermiston, Oregon.

In closing, increasing costs make energy efficiency and conservation more crucial than ever. HES works with residential, irrigation, and commercial customers who want to better manage their energy costs from individual consultations to online self-help resources. The best way for our customers to reduce their electric bill is to use less energy while still having the comforts they desire and deserve. Energy efficiency can help accomplish these goals.

Tie-In to Council Goals

Council Goal 3: SUSTAINABLE: Hermiston responsibly plans and invests in community infrastructure and the built environment to support the critical needs of daily life and sustainable growth for the future.

Fiscal Information

Option A: Rate adjustment in two phases; a 9.93% adjustment effective March 1, 2025, and a 9.96% adjustment effective March 1, 2026.

Option B: Rate adjustment in three phases; a 7.84% adjustment effective March 1, 2025, a 6.49% adjustment effective March 1, 2026 and a 5.19% adjustment effective October 1, 2026.

Alternatives and Recommendation

Alternatives

Approval of Option B and associated resolution adopting the updated Hermiston Energy Services Customer Service Policies, Rates, & Associated Fees Manual.

Reject options A & B. Direct staff to identify alternative options.

Recommended Action/Motion

Staff recommends approval of Option A and associated resolution adopting the updated Hermiston Energy Services Customer Service Policies, Rates, & Associated Fees Manual.

Motion to approve Resolution 2349 as drafted.

Submitted By:

Nate Rivera, Hermiston Energy Services General Manager.

Option A	\$/kWh			Demand			Customer Charge			% Change*	
	Now	Phase 1	Phase 2	Now	Phase 1	Phase 2	Now	Phase 1	Phase 2	Phase 1	Phase 2
Residential	7.39¢	8.13¢	8.94¢	-	-	-	\$21	\$23	\$25.25	9.52%	9.78%
Small Commercial	7.32¢	8.25¢	8.92¢	\$7.50	\$8.25	\$9.00	\$24	\$26.25	\$28.75	10.34%	10.05%
Large Commercial	5.43¢	5.93¢	6.43¢	\$7.25	\$8.00	\$9.00	\$160	\$175	\$190	9.48%	9.42%
Industrial	5.23¢	5.76¢	6.33¢	\$7.50	\$8.25	\$9.25	\$267.50	\$293	\$321.50	10.00%	10.50%
Irrigation	5.87¢	6.37¢	6.87¢	\$6.75	\$7.25	\$7.75	\$27.50	\$29.50	\$31.75	8.15%	7.56%
Overall Rate Adjustment										9.93%	9.86%

Option B	\$/kWh				Demand				Customer Charge				% Change*		
	Now	Phase			Now	Phase			Now	Phase			Phase		
		1	2	3		1	2	3		1	2	3	1	2	3
Residential	7.39¢	7.93¢	8.47¢	8.94¢	-	-	-		\$21	\$23	\$24.75	\$25.25	7.81%	6.49%	5.22%
Small Commercial	7.32¢	7.89¢	8.43¢	8.92¢	\$7.50	\$8.25	\$8.75	\$9.00	\$24	\$26	\$27.50	\$28.75	8.16%	6.77%	5.15%
Large Commercial	5.43¢	5.78¢	6.13¢	6.43¢	\$7.25	\$8.00	\$8.50	\$9.00	\$160	\$175	\$185	\$190	7.49%	6.08%	5.05%
Industrial	5.23¢	5.61¢	5.96¢	6.26¢	\$7.50	\$8.25	\$9.00	\$9.25	\$268	\$312.50	\$312.50	\$321.50	8.36%	7.15%	4.33%
Irrigation	5.87¢	6.22¢	6.57¢	6.87¢	\$6.75	\$7.25	\$7.50	\$7.75	\$27.50	\$29.50	\$30.75	\$31.75	6.32%	5.03%	4.17%
Overall Rate Adjustments													7.84%	6.49%	5.19%