

# STAFF REPORT UTILITY MEETING

**AGENDA DATE:** October 25, 2022

**DEPARTMENT:** Electric Utility

**TITLE:**

Proposed changes to Residential Electric Utility Rate Tiers

**SUMMARY:**

Proposed changes to expand the number of residential electric rate tiers as requested by the City Commission.

**BACKGROUND AND JUSTIFICATION:**

On July 26, 2022, in the City Commission's motion to approve changes in the Power Cost Adjustment effective September 1, 2022, directed Electric Utility Staff to "bring back a presentation on a multi-tier billing option to future meetings." Accordingly, Staff has worked with the City's Electric Rates Consultant at Leidos on an alternative multi-tier structure and is providing same to the City Commission for review and comment.

The City's electric utility has used a two-tier rate structure for a number of years, prior to which a three-tier rate structure was used. The current rate structure has rates for customers using less than 1,000 kwh per month and another rate structure for customers using greater than 1,000 kwh per month. The alternative three-tier residential rate would be as follows: 0 to 500 kwh/month, 500 to 1,000 kwh/month, and 1,000 kwh/month and above.

If approved, and using rates in effect as of September 1, 2022 as an example, the City's residential electric customers using 500 kwh/month would see a decrease in their monthly bills of 5.52% or \$4.17 per month, customers using 1,000 kwh/month would see an increase in their monthly bills of 1.18% or \$1.66 per month, and customers using 2,500 kwh/month would see an increase in their monthly bills of 1.09% or \$4.15.

Consultant notes that only one other utility in the State of Florida uses a three-tier rate structure for residential electric service. With a 4 cent/kwh differential between the first and last rate tiers the example provided is believed to have highest differential in rates of any utility in the state. Discussion with the Florida Public Service Commission will be scheduled by Consultant and Staff to determine if this would be allowed.

The examples presented in the preceding paragraph are intended to be illustrative of the impacts of the potential change in rates under currently approved rates and are intended to support continued discussion with the City Commission on their request to "bring back a presentation on a multi-tier billing option to future meetings." Actual effects of a possible change in tiers would vary depending on rates in effect at the time of the change.

In developing the alternate multi-tier system, Consultant has designed the new rate tiers to be "revenue neutral", meaning that residential electric utility rate revenues would remain the same regardless of the changes, absent of course a future overall rate increase intended to increase revenues. Staff suggest that changes in residential rate tiers, if approved as presented, be

made effective no earlier than January 1, 2023 so as to allow time for the changes to be made in City's billing system.

**MOTION:**

Move to approve/disapprove a change to the Electric Utility Residential Electric Rate Structure to incorporate three tiers as drafted by Staff and Consultant effective January 1, 2023.

**ATTACHMENT(S):**

Residential Distribution by Consumption – Tiered (spreadsheet data table)

Comparison of Existing and Alternate 3-Block Rates (spreadsheet data table)

Alternate Residential 3-Block Rate Revenue (spreadsheet data table)

Fiscal Impact Analysis N/A