

STAFF REPORT UTILITY MEETING

AGENDA DATE: November 29, 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. At the October 25, 2022 City Commission meeting Staff presented a draft 3-tier rate structure. After public discussion the commission requested that Staff bring back a 5-tier rate structure for further discussion.

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 and five-tier residential rates and potential bill impacts are included in the backup material.

The examples presented in the backup material 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 by 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 overall residential electric utility rate revenues would remain the same regardless of the changes, absent of course a future overall rate increase or decrease intended to change revenues. Staff suggest that changes in residential rate tiers, if approved as presented, allow time for the changes to be made in City's billing system.

MOTION:

N/A

ATTACHMENT(S):

Residential Distribution by Consumption – Tiered (spreadsheet data table)
Sample 3-Block and 5-Block Rates (spreadsheet data table)

Fiscal Impact Analysis: N/A