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**MEMORANDUM**

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**TO:** MAYOR LYNN AND BOROUGH ASSEMBLY  
**FROM:** KARL HAGERMAN, UTILITY DIRECTOR   
**SUBJECT:** RECOMMENDATION FOR ELECTRIC UTILITY RATE INCREASE  
**DATE:** 4/28/2026  
**CC:** STEVE GIESBRECHT, BOROUGH MANAGER  
STEPHAN HARBOUR, UTILITY DIRECTOR (INCOMING)  
JODY TOW, FINANCE DIRECTOR

In this year's budget preparations and through the use of the new Waterworth rate review software, Petersburg Municipal Power & Light identified that overall department revenues need to increase by 4% in FY27 in order to fully cover expenses and inflation, fund capital projects, meet reserve policies, and achieve the required debt coverage ratio required by our revenue bond.

The new singular energy rate for each customer class established last year has worked well, with revenues meeting projections in FY26. However, as capital improvement plans solidify and inflation continues to impact department expenses, the rate setting software shows that a 4% across the board increase is needed to fund the needs of the department in FY27.

Additionally, the utility is recommending an increase to various connection fees in this ordinance. PMPL has been providing connections at reasonable rates for many years, but cost increases have gotten to the point where it has become difficult to justify. On average, PMPL spends approximately \$5,000 to connect a standard residential customer. This includes a service pole, wire, hardware, terminations, equipment time and line crew labor. The utility is not seeking to recover 100% of those costs to make service requests accessible for new home owners or business startups, but to increase the fee to cover more of the materials needed to establish service.

As was provided last year, an attachment to this memo shows comparisons of various customer billings using the current rates and the proposed rates. The recommended 4% across the board increase is noted.

Also, the utility is providing information on how the proposed rates compare to other communities in our region. As you'll see, Petersburg's rates remain extremely competitive even with the proposed increases.

It is PMPL's recommendation that the Assembly approve the proposed rate ordinance. Thank you for your consideration.