
MEMORANDUM

TO: MAYOR JENSEN AND BOROUGH ASSEMBLY
FROM: KARL HAGERMAN, UTILITY DIRECTOR *KH*
SUBJECT: REQUEST FOR APPLICATION OF A FUEL ADJUSTMENT CHARGE
DATE: 5/20/2024
CC: STEVE GIESBRECHT, BOROUGH MANAGER

Per the Municipal Code, Chapter 14.16.720, titled Rates – Fuel and Purchased Power Adjustment Charge, the Assembly has the discretion to implement a fuel adjustment to all kilowatt hours sold in the billing period that also includes the annual SEAPA maintenance shutdown and the resulting 7-day diesel plant run by the utility.

With this memorandum, I am requesting that the Assembly consider implementing the codified rate adjustment for the billing period between May 27th and June 27th of 2024. The adjustment was approved last year to recoup fuel costs above \$2.40 per gallon (the price noted in the code) for the annual SEAPA maintenance shutdown. With fuel costs even higher this year, the utility would appreciate the Assembly’s support. The SEAPA maintenance period is scheduled for June 6th – 12th.

As specified in the municipal code, the adjustment would take fuel burn expenses above \$2.40 per gallon and spread out those costs to all kilowatt hours sold during the affected billing period. If fuel is not above \$2.40, there is no adjustment. Pricing as of the writing of this memo is \$4.57 per gallon.

As an example of potential adjustment per kwh, a hypothetical scenario is presented below, with 2023 generation levels and current pricing for fuel.

$$\text{Fuel Adjustment} = (F-240)/13.5 \times D/G$$

F = Cost in cent/gal of current fuel price = 457 (As of May 13th, 2024)

D= kwh generated during prior month by diesel plant = 682,176 (May 30 - June 2023)

G = Total generation during prior month, in kwh = 3,590,839 kwh (May 30 -June 2023)

$$\text{Adjustment} = (457-240)/13.5 \times (682,176/3,590,839) = 3.05 \text{ cents/kwh}$$

In this hypothetical scenario, the utility would be seeking to recover \$102,050. in unanticipated fuel costs and a customer that used 1,000 kwh in the billing period would see an adjustment of \$30.50 added to their bill.

If approved, the utility will begin a public information campaign to make our customers aware of the power adjustment and the billing period in which it will be applied. Conservation of power at households and businesses during the subject billing period will lessen the amount of power generation and fuel usage during the shutdown, but also the total amount of usage by the community that is factored into the adjustment formula. Concerted conservation efforts will help every customer to lessen the impacts of the adjustment.

Thank you for your consideration.