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**MEMORANDUM**

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**TO:** MAYOR JENSEN AND BOROUGH ASSEMBLY  
**FROM:** KARL HAGERMAN, UTILITY DIRECTOR   
**SUBJECT:** RECOMMENDATION FOR ELECTRIC UTILITY RATE INCREASE  
**DATE:** 5/14/2025  
**CC:** STEVE GIESBRECHT, BOROUGH MANAGER  
BECKY REGULA, BOROUGH CLERK  
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 FY26 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.

At the May 5<sup>th</sup> Assembly meeting, Aryan Chawla of Waterworth presented information in support of the department's recommendation to increase revenue by 4% in FY26. As mentioned in the meeting, PMPL has two goals in regard to the rate increase ordinance. Overall revenues must increase and an adjustment to current rate design will focus on conservation instead of the historical emphasis on power sales. The current declining block rate design was developed to encourage sales and power use in the community. This was appropriate when hydro power was plentiful at all times of the year. With the societal shift towards electrification of so many things in our lives, power availability is not what it once was. In fact, over the past 3-4 years, Petersburg along with the other SEAPA communities has had to run diesel generation on the coldest days to supplement our wholesale power provider. While SEAPA is working hard to develop the next increment of generation, it will be years before any additional power is provided to its member communities in the winter months.

The new singular energy rate for each customer class eliminates the "sales" model which made power cheaper if a customer used more in a billing period. The proposed rates make it easier for customers to understand their bills and to cut their monthly costs by conserving energy at their home or business. Monthly base rates have been increased to stabilize the overall revenue stream during this time of rate change. While it is normal for the utilities to recommend multiple years of rates when drafting an ordinance, this ordinance will only increase rates for FY26 at this time. The utility would like to see how the rates truly affect revenues so that the Waterworth software can be updated and future proposed rate increases will meet the revenue requirements of the utility.

An attachment to this memo shows comparisons of various customer billings using the current rates and the proposed rates. You'll notice that some customers' percentage increases will be higher and some will be lower. This is a function of moving away from the declining block rate and how that rate structure influenced monthly billings. The utility feels that all proposed rates do reflect equality for our customers when comparing consumption of the class and revenues received by that customer group.

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.