
MEMORANDUM

TO: MAYOR LYNN AND BOROUGH ASSEMBLY
FROM: STEPHAN HARBOUR, UTILITY DIRECTOR *SH*
SUBJECT: REQUEST FOR APPLICATION OF A FUEL ADJUSTMENT CHARGE
DATE: 4/8/2026
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 includes the annual SEAPA maintenance shutdown and the resulting 10-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 2026. The adjustment was approved for the last 4 years to recoup fuel costs above \$2.40 per gallon (the price noted in the code) for the annual SEAPA maintenance shutdown. With fuel costs continuing to be significant, the utility would appreciate the Assembly's support. The SEAPA maintenance period is tentatively scheduled for June 11 – June 20 this year, with approximately eight (8) days of diesel generation anticipated; however, this duration is an estimate and may vary depending on operational conditions.

At the time of writing this memorandum, the current cost of diesel fuel is approximately \$5.08 per gallon. Fuel pricing remains volatile, and actual costs during the shutdown period may vary from current levels.

The current ordinance establishes a base diesel fuel cost of \$2.40 per gallon for purposes of calculating the fuel cost adjustment. While this remains the adopted baseline in code, the utility requests to apply a working base of \$3.87 per gallon, which reflects the fuel price incorporated into the current fiscal year budget, lessening the burden on the rate payer.

This approach is in recognition of the recent and sustained increases in fuel prices and the resulting financial pressure on our community. By aligning the adjustment with the budgeted fuel cost rather than the lower ordinance baseline, the utility is moderating the immediate impact of fuel cost recovery on customers while maintaining financial stability. In short, this approach lessens the burden on our customers.

Moving forward, the utility intends to propose an ordinance amendment to formally align the code with this approach. The goal will be to reflect the original intent and spirit of the ordinance by tying the base fuel cost used in the adjustment calculation to the utility's annually budgeted cost per gallon.

Based on current fuel pricing and last year's generation levels, the projected fuel cost adjustment is estimated to be approximately \$0.012 per kilowatt-hour (1.2 cents/kWh). For a typical residential customer using 1,000 kWh during a billing period, this would result in an increase of approximately \$12.00 on their monthly bill.

This adjustment reflects the difference between the utility's budgeted diesel fuel cost and the actual cost incurred during the billing period, allocated across the total kilowatt-hours sold during that same period. The actual adjustment will vary depending on fuel prices, the duration of diesel generation during the shutdown, and overall system generation levels.

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, as well as 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 impact of the adjustment.

Attached is the formula used in the ordinance, adjusted to the \$3.87 per gallon fuel cost and the estimated calculation using the 2025 usage figures to explain this.

Thank you for your consideration.

Proposed Motion

I move to approve a fuel adjustment charge, pursuant to PMC 14.16.720, for all kilowatt-hours billed during the period of May 27, 2026, through June 27, 2026, associated with the annual SEAPA maintenance shutdown. The adjustment shall be calculated using a base diesel fuel cost of \$3.87 per gallon.

Example of Using the \$2.40 per gallon as allowed in the Ordinance

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

F = Cost in cent/gal of current fuel price = 508 (price as of 4/2/2026)

D= kwh generated during prior month by diesel plant =502,101 (diesels estimated kWh)

G = Total generation during prior month, in kwh = 3,953,109 (June 2025)

$$\text{Adjustment} = (508-240)/13.5 \times (502,101 / 3,953,109) = 2.52 \text{ cents/kwh}$$

In this hypothetical scenario, the utility would be seeking to recover \$99,676 in unanticipated fuel costs and a customer that used 1,000 kwh in the billing period would see an adjustment of about \$25.20 added to their bill. About double last year's adjustment.

Example of Using \$3.87 per gallon as the proposed base

$$\text{Fuel Adjustment} = (F-387)/13.5 \times D/G$$

F = Cost in cent/gal of current fuel price = 508 (price as of 4/2/2026)

D= kwh generated during prior month by diesel plant =502,101 (diesels estimated kWh)

G = Total generation during prior month, in kwh = 3,953,109 (June 2025)

$$\text{Adjustment} = (508-387)/13.5 \times (502,101 / 3,953,109) = 1.2 \text{ cents/kwh}$$

In this hypothetical scenario, the utility would be seeking to recover \$45,000 in unanticipated fuel costs and a customer that used 1,000 kwh in the billing period would see an adjustment of about \$12.00 added to their bill. Resulting in charges similar to last year's adjustment.