TO: MAYOR JENSEN AND BOROUGH ASSEMBLY

FROM: KARL HAGERMAN, UTILITY DIRECTOR

SUBJECT: REQUEST FOR APPLICATION OF A FUEL ADJUSTMENT CHARGE

DATE: 4/18/2025

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 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 2025. The adjustment was approved in the last 3 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 10 – June 19 this year.

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 $3.87 per gallon.

As an example of potential adjustment per kwh, a <u>hypothetical scenario</u> is presented below, with estimated generation levels and current pricing for fuel. Actual fuel prices at the time of the diesel run and generation data would be used to calculate the final billing adjustment for 2025.

> ***Fuel Adjustment = (F-240)/13.5 x D/G***
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> ***F = Cost in cent/gal of current fuel price = 387 (price as of 4/2/2025)***
> ***D= kwh generated during prior month by diesel plant = 484,200 (diesels estimated kWh)***
> ***G = Total generation during prior month, in kwh = 3,302,220(June 2024)***
>
> ***Adjustment = (387-240)/13.5 x (484,200 /3,302,220) = 1.6 cents/kwh***
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> ***In this hypothetical scenario, the utility would be seeking to recover $57,371.01 in unanticipated fuel costs and a customer that used 1,000 kwh in the billing period would see an adjustment of $16.00 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.