

MEMORANDUM

To: Mayor and City Council Members
Steve Parker, City Manager

From: Timothy Howe, Assistant City Manager

Subject: Acceptance of Electric Rate Study and Corresponding Electric Rate Modifications

Date: August 4, 2026

Historical Background

The City of Seguin worked with Schneider Engineering DBA SEnergy in 2025 on the development of an Electric Cost of Service Study. Cost of service studies measures the way that electric distribution systems allocate costs to each class of customers. It highlights inadequacies in the overall cost recovery of the utility, identifying cost subsidizations between rate classes of customers. Cost of service studies are a tool governing bodies/management utilized to allocate costs and revenues to meet future needs.

Action Requested

Consider the proposed Electric Rates based on the following information: Please note that Electric Rates are categorized either as Residential, Commercial, Large Power, Large Power Primary, Industrial, and Primary Industrial. The rates for each classification are based on four elements.

Customer Charge

- Usually covers fixed administrative and operation expenses.
- Billing, customer service, non-variable costs.
- Expressed as a flat, monthly charge.

Energy Charge

- The cost to operate and maintain the distribution electric system.
- Funds general fund transfers.
- Expressed as \$/kWh.

Demand Charge

- Related to the costs to maintain the capacity to serve a customer.
 - Usually, it does not apply to Residential and Small Commercial Customers (anything less than 25-50 kW).
 - Impacts customers who have poor load factor use a lot of energy for only short periods of time the most.
 - Expressed as \$/kW.
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Power Costs Recovery Factor (PCRf)

- Related to the costs of wholesale power to serve customers.
- Design and application depend on utility and customer needs.
- Expressed as \$/kWh.

It's real.

Staff Recommendation

Based on the cost-of-service study update and discussions with the Utility Committee, staff is recommending the following modifications to the City's electric rate structure to meet the increased revenue requirements driven by the rise in operating and maintenance costs resulting from inflationary pressures, administrative expenses, shared services, and wholesale power costs.

The proposed rates are as follows:

	Current	Proposed
Residential (1,000 kWh)		
Customer Charge	\$ 16.43	\$ 16.76
Energy Charge	\$ 0.03982	\$ 0.04062
PCRf	\$ 0.0602	\$ 0.0613
Total Average Bill	\$ 116.48	\$ 118.71
Commercial (1,548 kWh)		
Customer Charge	\$ 37.10	\$ 37.84
Energy Charge	\$ 0.03343	\$ 0.03410
PCRf	\$ 0.0602	\$ 0.0613
Total Average Bill	\$ 182.06	\$ 185.54
Large Power/Light (63 kW)		
Customer Charge	\$ 132.50	\$ 135.17
Energy Charge	\$ 0.02882	\$ 0.02940
PCRf	\$ 0.0602	\$ 0.0613
Demand Charge	\$ 3.71	\$ 3.79
Total Average Bill	\$ 2,063.00	\$ 2,101.96

It's real.

	<i>Current</i>	<i>Proposed</i>
<i>Large Power (Primary 112 kW)</i>		
<i>Customer Charge</i>	\$ 132.50	\$ 135.17
<i>Energy Charge</i>	\$ 0.02796	\$ 0.02852
<i>PCRF</i>	\$ 0.0602	\$ 0.0613
<i>Demand Charge</i>	\$ 3.71	\$ 3.79
<i>Total Average Bill</i>	\$ 3,513.00	\$ 3,579.75
<i>Industrial (Secondary 1,398 kW)</i>		
<i>Customer Charge</i>	\$ 371.00	\$ 378.42
<i>Energy Charge</i>	\$ 0.01067	\$ 0.01089
<i>PCRF</i>	\$ 0.0602	\$ 0.0613
<i>Demand Charge</i>	\$ 5.30	\$ 5.40
<i>Total Average Bill</i>	\$ 59,107.00	\$ 60,224.72
<i>Industrial (Primary 1,970 kW)</i>		
<i>Customer Charge</i>	\$ 371.00	\$ 378.42
<i>Energy Charge</i>	\$ 0.01035	\$ 0.01056
<i>PCRF</i>	\$ 0.0602	\$ 0.0613
<i>Demand Charge</i>	\$ 5.30	\$ 5.40
<i>Total Average Bill</i>	\$ 70,526.00	\$ 71,850.66