It's real.

MEMORANDUM

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

From: Timothy J. Howe, Director of Utilities

Through: Rick Cortes, Deputy City Manager

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

Date: July 15, 2025

Historical Background

The City of Seguin worked with Schneider Engineering DBA SEnergy in 2024 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. Ultimately, cost of service studies are a tool governing bodies/management utilize 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.

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.

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	*$ 15.50*	*$ 16.43*
Energy Charge	*$ 0.03757*	*$ 0.03982*
PCRF	$ 0.05700	$ 0.0602
Total Average Bill	$ 110.07	$ 116.45
Commercial (1,384 kWh)		
Customer Charge	*$ 35.00*	*$ 37.10*
Energy Charge	*$ 0.03154*	*$ 0.03343*
PCRF	$ 0.05700	$ 0.0602
Total Average Bill	$ 157.54	$ 166.41
Large Power/Light (60 kW)		
Customer Charge	*$ 125.00*	*$ 132.50*
Energy Charge	*$ 0.02719*	*$ 0.02882*
PCRF	$ 0.05700	$ 0.0602
Demand Charge	*$ 3.50*	*$ 3.71*
Total Average Bill	$ 1,977.24	$ 2,007.88

	Current	*Proposed*
Large Power (Primary 113 KW)		
Customer Charge	*$ 125.00*	*$ 132.50*
Energy Charge	*$ 0.02678*	*$ 0.02796*
PCRF	$ 0.05700	$ 0.0602
Demand Charge	*$ 3.50*	*$ 3.71*
Total Average Bill	$ 5,343.04	$ 5,408.47
Industrial (Secondary 640 KW)		
Customer Charge	*$ 350.00*	*$ 371.00*
Energy Charge	*$ 0.01007*	*$ 0.01067*
PCRF	$ 0.05700	$ 0.0602
Demand Charge	*$ 5.00*	*$ 5.30*
Total Average Bill	$ 25,759.97	$ 25,949.61
Industrial (Primary 4,007 KW)		
Customer Charge	*$ 350.00*	*$ 371.00*
Energy Charge	*$ 0.00977*	*$ 0.01035*
PCRF	$ 0.05700	$ 0.0602
Demand Charge	*$ 5.00*	*$ 5.30*
Total Average Bill	$ 145,033.58	$ 146,066.83