

MEMORANDUM

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

From: Rick Cortes, Deputy City Manager

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

Date: August 20, 2024

The City of Seguin worked with Schneider Engineering in 2019 on the development of an Electric Cost of Service Study. Cost of service studies measure 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, costs of service studies are a tool governing bodies/management utilize to allocate costs and revenues to meet future needs.

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 not applied 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 to purchase wholesale power to serve customers.
 - Design and application depend on utility and customer needs.
 - Expressed as \$/kWh.
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Based on the cost-of-service study update completed by Schneider Engineering and discussions with Utility Committee regarding the cost-of-service study, staff is recommending no modification to the City's rate structure. The rates are as follows:

	<i>Current</i>	<i>Proposed</i>
<i>Residential (1,000 kWh)</i>		
<i>Customer Charge</i>	\$ 14.50	\$ 15.50
<i>Energy Charge</i>	\$ 0.03757	\$ 0.03757
<i>PCRF</i>	\$ 0.05700	\$ 0.05700
<i>Total Average Bill</i>	\$ 109.07	\$ 110.07
<i>Commercial (1,384 kWh)</i>		
<i>Customer Charge</i>	\$ 35.00	\$ 35.00
<i>Energy Charge</i>	\$ 0.03153	\$ 0.03153
<i>PCRF</i>	\$ 0.05700	\$ 0.05700
<i>Total Average Bill</i>	\$ 157.53	\$ 157.53
<i>Large Power (60 KW)</i>		
<i>Customer Charge</i>	\$ 125.00	\$ 125.00
<i>Energy Charge</i>	\$ 0.03035	\$ 0.02719
<i>PCRF</i>	\$ 0.05700	\$ 0.05700
<i>Demand Charge</i>	\$ 2.50	\$ 3.50
<i>Total Average Bill</i>	\$ 1,916.82	\$ 1,917.11

	<i>Current</i>	<i>Proposed</i>
<i>Large Power (Primary 113 KW)</i>		
<i>Customer Charge</i>	\$ 125.00	\$ 125.00
<i>Energy Charge</i>	\$ 0.02944	\$ 0.02678
<i>PCRF</i>	\$ 0.05700	\$ 0.05700
<i>Demand Charge</i>	\$ 2.50	\$ 3.50
<i>Total Average Bill</i>	\$ 5,200.48	\$ 5,165.62
<i>Industrial (640 KW)</i>		
<i>Customer Charge</i>	\$ 350.00	\$ 350.00
<i>Energy Charge</i>	\$ 0.01218	\$ 0.01007
<i>PCRF</i>	\$ 0.05700	\$ 0.05700
<i>Demand Charge</i>	\$ 4.00	\$ 5.00
<i>Total Average Bill</i>	\$ 24,775.89	\$ 24,748.56
<i>Industrial (Primary 4,007 KW)</i>		
<i>Customer Charge</i>	\$ 350.00	\$ 350.00
<i>Energy Charge</i>	\$ 0.01181	\$ 0.00977
<i>PCRF</i>	\$ 0.05700	\$ 0.05700
<i>Demand Charge</i>	\$ 4.00	\$ 5.00
<i>Total Average Bill</i>	\$ 138,959.97	\$ 139,332.92

The City of Seguin has been able to propose its current rate structure due to several factors such as, a conservative electric utility management program, an aggressive electric utility infrastructure improvement program, a consistent tree trimming program, a favorable negotiated wholesale power contract, and a conservative natural gas hedging program.