



Memorandum

To: Mayor and City Council Members
Douglas Faseler, City Manager

From: Rick Cortes, Assistant City Manager

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

Date: July 9, 2019

The City of Seguin has been working with Schneider Engineering in 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.
- Occasionally incorporates some wholesale power costs.
- Funds general fund transfers.
- Expressed as \$/kWh.

Demand Charge

- Related to the costs to maintain the capacity to serve a particular 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 depends on utility and customer needs.
- Expressed as \$/kWh.

Based on the aforementioned cost of service study completed by Schneider Engineering, staff is recommending modification to the City's rate structure, however these modifications will not have an overall financial impact to customers when compared to current rates. The modifications are as follows;

	<i>Current</i>	<i>Proposed</i>
<i>Residential (1,054 kWh)</i>		
<i>Customer Charge</i>	\$ 12.00	\$ 12.00
<i>Energy Charge</i>	\$ 0.0325	\$ 0.03964
<i>PCRF</i>	\$ 0.06250	\$ 0.05536
<i>Total Average Bill</i>	\$ 112.22	\$ 112.22
<i>Commercial (1,384 kWh)</i>		
<i>Customer Charge</i>	\$ 25.00	\$ 25.00
<i>Energy Charge</i>	\$ 0.0295	\$ 0.03664
<i>PCRF</i>	\$ 0.06250	\$ 0.05536
<i>Total Average Bill</i>	\$ 152.42	\$ 152.42
<i>Large Power (56 KW)</i>		
<i>Customer Charge</i>	\$ 75.00	\$ 75.00
<i>Energy Charge</i>	\$ 0.02750	\$ 0.03464
<i>PCRF</i>	\$ 0.06250	\$ 0.05536
<i>Demand Charge</i>	\$ 2.00	\$ 2.00
<i>Total Average Bill</i>	\$ 1,720.97	\$ 1,720.97
<i>Large Power (Primary 56KW)</i>		
<i>Customer Charge</i>	\$ 75.00	\$ 75.00
<i>Energy Charge</i>	\$ 0.02668	\$ 0.03360

<i>PCRF</i>	\$ 0.06250	\$ 0.05536
<i>Demand Charge</i>	\$ 1.94	\$ 1.94
<i>Total Average Bill</i>	\$ 1,703.54	\$ 1,699.87

	Current	Proposed
<i>Industrial (1,729KW)</i>		
<i>Customer Charge</i>	\$ 200.00	\$ 200.00
<i>Energy Charge</i>	\$ 0.01300	\$ 0.02014
<i>PCRF</i>	\$ 0.06250	\$ 0.05536
<i>Demand Charge</i>	\$ 3.00	\$ 3.00
<i>Total Average Bill</i>	\$ 52,334.57	\$ 52,334.57
<i>Primary Industrial</i>		
<i>Customer Charge</i>	\$ 200.00	\$ 200.00
<i>Energy Charge</i>	\$ 0.01100	\$ 0.01954
<i>PCRF</i>	\$ 0.06250	\$ 0.05536
<i>Demand Charge</i>	\$ 3.00	\$ 3.00
<i>Total Average Bill</i>	\$ 100,096.70	\$ 101,852.30

Additionally, the proposed rate structure incorporates the proposed Electric Department Capital projects and Equipment as identified in the FY 2019-20 Proposed Budget, which include the construction of badly needed North Substation additions which includes three breakers, and three additional circuits that will power all the existing and proposed development to the Seguin service area north of IH10. These improvements will also provide redundancy for the City's electric customers.

Overall these proposed rates are very competitive with similar utilities throughout this area. Staff recommends approval and will be available to answer any questions.