

COUNCIL ACTION FORM

SUBJECT: ELECTRIC UTILITY RATE CHANGES

BACKGROUND:

As discussed during the FY 2008/09 budget process, the Ames Municipal Electrical Utility budget includes an 8.0% metered electric revenue increase. The revenue increase was recommended to fund plant maintenance and improvements and operating costs while maintaining an adequate fund balance for the utility. Per discussions at the April 8, 2008 City Council meeting, the proposed change includes a flat rate structure for the residential customer class during the summer peak season and an across-the-board increase with no change to our current rate structure for all other customer classifications. As decision paths are selected in the project to replace base load power generation, the utility will conduct an extensive cost-of-service study and prepare alternative rate structures and analysis of impact on customers.

This rate increase is the second in a series of planned rate increases; the first was a 3.5% increase for FY 2006/07. It is important that a rate increase be implemented at the beginning of the fiscal year to allow the electric utility to fund planned capital improvements and maintain adequate fund balances.

Attached is the edited ordinance section reflecting the increased rates.

ALTERNATIVES:

1. Approve the proposed changes to the electric utility rate ordinance to increase overall revenue to the electric utility by 8.0% as included in the FY 08/09 budget.
2. Refer the electric utility rate ordinance back to staff with direction to develop an alternative rate structure. Depending on the complexity of the desired rate structure, this alternative would likely delay implementation of a rate increase, and could result in not achieving the electric utility fund balance target unless other changes are made to the budget to reduce expenditures.
3. Do not approve a rate increase at this time. This alternative will require extensive changes to the electric utility budget since an 8.0% revenue increase was included in the adopted budget.

MANAGER'S RECOMMENDED ACTION:

The proposed rate structure will provide funding for the operations and capital projects included in the adopted FY 08/09 Electric Utility budget. The proposed change in the residential rate structure from a declining block to a flat rate during the summer peak season is expected to encourage conservation and reduce the need to increase power generation capacity in the future.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving the proposed changes to the electric utility rate ordinance to increase overall revenue to the electric utility by 8.0% as included in the FY 08/09 budget.

ORDINANCE NO. _____

AN ORDINANCE TO AMEND THE MUNICIPAL CODE OF THE CITY OF AMES, IOWA, BY REVISION TO SECTIONS 28.103(2)(a)(b)(i)(ii)(3), 28.104(2)(a)(b)(i)(ii)(3), 28.105(2)(a)(b)(i),(ii), 28.106(2)(a)(b)(i)(ii), 28.107(2)(a)(i)(3)(d)(f), THEREOF, FOR THE PURPOSE OF PROVIDING DEFINITIONS AND TO REVISE CURRENT PROVISIONS; REPEALING ANY AND ALL ORDINANCES OR PARTS OF ORDINANCES IN CONFLICT TO THE EXTENT OF SUCH CONFLICT; PROVIDING A PENALTY; AND ESTABLISHING AN EFFECTIVE DATE.

BE IT ENACTED, by the City Council for the City of Ames, Iowa, that:

Section One. The Municipal Code of the City of Ames, Iowa shall be and the same is hereby amended by revising 28.103(2)(a)(b)(i)(ii)(3), 28.104(2)(a)(b)(i)(ii)(3), 28.105(2)(a)(b)(i),(ii), 28.106(2)(a)(b)(i)(ii), 28.107(2)(a)(i)(3)(d)(f) as follows:

“Sec. 28.103. RESIDENTIAL ELECTRIC RATES.

- (2) **Rate per billing period.** For each monthly billing period a residential rate customer:
- (a) shall be charged five dollars (\$5.00) as a customer service charge, and
 - (b) in addition, shall be charged for energy consumption during the billing period as follows:
 - (i) for bills mailed on or between July 1 and October 31 (summer period):
\$0.0825 per kWh, or
 - (ii) for bills mailed on or between November 1 and June 30 (winter period):
\$0.0760 per kWh for the first 400 kWhs
\$0.0637 per kWh for the next 600 kWhs
\$0.0604 per kWh for all kWhs over 1000 kWhs,
- and
- (3) **Minimum bill:** The minimum charge per billing period shall be five dollars (\$5.00).

Sec. 28.104. GENERAL POWER RATE.

- (2) **Rate per billing period:** For each monthly billing period a general power rate customer:
- (a) shall be charged six dollars (\$6.00) as the customer service charge; and,
 - (b) in addition, shall be charged for energy consumption during the billing as follows:
 - (i) for bills mailed on or between July 1 and October 31 (summer period):
\$0.0917 per kWh for the first 2000 kWhs
\$0.0783 per kWh for the next 5000 kWhs
\$0.0760 per kWh for all kWh over 7000 kWhs.
 - (ii) for bills mailed on or between November 1 and June 30 (winter period):
\$0.0715 per kWh for the first 2000 kWhs
\$0.0593 per kWh for the next 5000 kWhs