
City of Kelowna

MEMORANDUM

DATE: October 17, 2001
FILE: 1824-02
TO: City Manager
FROM: Electrical Manager
RE: ELECTRICAL UTILITY RATES

RECOMMENDATION:

THAT Council approve a change to the City's electrical utility structure and rates resulting in a 5.1% increase in annual residential customer revenues, a 2.1% increase in annual commercial customer revenues and a 5.0% increase in annual municipal and school revenues for an overall electrical utility revenue rate increase of 3.6%;

AND THAT the approved changes be implemented with the first billing cycle in December, 2001.

BACKGROUND:

History

1. On August 26, 1996, Council adopted a schedule of principles to be used for restructuring City of Kelowna electrical utility service rates and directed that an electrical service rate structure recommendation report incorporating these principles be prepared.
2. In October, 1996, Council approved changes to residential rates and one commercial rate as the start of the rate restructuring process.
3. In May, 1997, Council approved changes to the City's electrical structure and rates resulting in a 1.8% residential revenue increase, a 1.5% decrease in commercial customer revenues and a 1.1% increase in annual municipal and school revenues.
4. In June, 1998, Council approved changes to the City's electrical structure and rates resulting in a 1.7% residential revenue increase, a 1.1% decrease in commercial customer revenues and a 0.5% increase in annual municipal and school revenues.
5. In August, 1999, Council approved changes to the City's electrical structure and rates resulting in a 2.0% residential revenue increase, a 1.5% decrease in commercial customer revenues and a 1.0% increase in annual municipal and school revenues.

6. In September, 2000, Council approved changes to the City's electrical structure and rates resulting in a 4.8% residential revenue increase, a 2.6% increase in commercial customer revenues and a 4.5% increase in annual municipal and school revenues.
7. In January, 2001, West Kootenay Power increased the Wholesale Service rate to the City of Kelowna by approximately 5.2%.

A major objective of the ongoing restructuring of the Electrical Utility rates is to establish rates based on consumption and demand requirements rather than on the use of the electrical power. The recommended changes incorporate the principles adopted by Council for the restructuring of the electrical utility service rates.

Within the different classifications various rate codes will be impacted differently depending on their revenue to cost ratios. Also, within rate codes, customers will have varying impacts depending on their electrical consumption and demand. The program of increasing residential rates and reducing the impact on the commercial rates continues with this rate change.

The recommended changes to customer groups are detailed below and in the schedules attached to this report.

Residential Rate Changes

Revenues from rate codes 101-107 (residential electricity) will increase by 5.2%. The average single family residential customer will have a monthly increase of approximately \$2.28. The attached schedule shows the impact at various consumption levels for residential customers in these rate codes.

Rate code 116 (power class B, apartments), rate code 202 (water heating, apartments) and rate code 204 (secondary power, apartments) will increase between 3.5 and 5.2%. Residential rate code 201 (lighting, apartments) will be reduced by 4.6%.

Commercial Rate Changes

Changes in the commercial rate codes are being made to more closely align rate code revenues with their cost of service and to provide a gradual transition to common commercial rates. Revenue changes vary within the commercial area from an increase of 5.0% for rate code 211 (temporary power) to a decrease of 4.4% for rate code 213 (commercial lighting).

Municipal and School Rate Changes

The customers in this category are all single rate metered accounts and they are scheduled to be increased by 5.0%, close to the increase in the bulk purchase costs.

The attached schedule shows the difference between the existing rates and the proposed new rates for the rate codes affected. As the rate block structures within the rate codes change, the impact will vary depending on the customers' monthly consumption. Gradual implementation of rate structure changes will provide a smooth transition from the previous rates to rates that are more reflective of the cost of providing service.

R. Carle
Electrical Manager

John Vos, P. Eng.
Director of Works & Utilities

KG
attachments

cc: Director of Finance and Corporate Services
Deputy Director of Finance
Revenue Manager

RESIDENTIAL RATE COMPARISON - RATE CODES 101-107								
BASED ON THE FOLLOWING RATES (\$/kWH):								
	<i>CURRENT</i>		<i>NEW</i>		<i>% CHANGE</i>			
<i>1st kWH</i>	7.52		8.00		6.38%			
<i>Balance</i>	0.05020		0.05271		5.00%			
MONTHLY % INCREASE FOR CITY OF KELOWNA RESIDENTIAL CUSTOMERS								
<u>KW USED</u>	<u>CURRENT RATE</u>		<u>NEW RATE</u>		<u>DIFFERENCE</u>		<u>% CHANGE</u>	
125	13.74		14.54		0.79		5.8%	
250	20.02		21.12		1.10		5.5%	
500	32.57		34.30		1.73		5.3%	
720	43.61 *		45.90		2.28		5.2%	
825	48.88 **		51.43		2.55		5.2%	
1,000	57.67		60.66		2.99		5.2%	
1,250	70.22		73.83		3.61		5.1%	
1,500	82.77		87.01		4.24		5.1%	
2,000	107.87		113.37		5.50		5.1%	
3,000	158.07		166.08		8.01		5.1%	
5,000	258.47		271.50		13.03		5.0%	
10,000	509.47		535.05		25.58		5.0%	
* Average single family residential (no electric heat) 720 kWH's per month.								
** Average single family residential (with electric heat) 825 kWH's per month.								
(Based on 2000 consumption)								

ELECTRICAL UTILITY REVENUES - SUMMARY RATE CODE CHANGES 2001

<u>RATE CODE</u>	# OF	ANNUAL REVENUES			
	<u>CUST.</u>	<u>CURRENT</u>	<u>PROPOSED</u>	<u>DIFFERENCE</u>	<u>% CHANGE</u>
<i>RESIDENTIAL</i>					
101-107 RESIDENTIAL	10,577	5,650,000	5,945,490	295,490	5.2%
116 – POWER B	122	990,500	1,042,300	51,800	5.2%
201 PWR APARTMENT	53	90,350	86,180	(4,170)	-4.6%
202 WTR HTG APTS	5	7,380	7,690	310	4.2%
204 SEC PWR APTS	27	25,320	26,200	880	3.5%
	<u>10,784</u>	<u>6,763,550</u>	<u>7,107,860</u>	<u>344,310</u>	<u>5.1%</u>
<i>COMMERCIAL</i>					
211 TEMP PWR	16	12,050	12,650	600	5.0%
213 COMM LIGHTING	756	1,404,100	1,341,750	(62,350)	-4.4%
214 WTR HEAT PWR	8	2,180	2,280	100	4.6%
215 PWR CLASS A	279	2,342,600	2,394,140	51,540	2.2%
218 SECONDARY PWR	215	466,600	485,500	18,900	4.1%
219 WINDOW LIGHTING	9	4,020	4,210	190	4.7%
220 PRIMARY POWER	11	465,680	486,440	20,760	4.5%
223 LARGE PRIMARY	1	480,470	502,090	21,620	4.5%
224 MEDIUM PRIMARY	8	2,315,250	2,418,600	103,334	4.5%
IRRIGATION/OTHER	32	6,000	6,270	270	4.5%
	<u>1,335</u>	<u>7,498,950</u>	<u>7,653,930</u>	<u>154,964</u>	<u>2.1%</u>
<i>MUNICIPAL & SCHOOLS</i>					
225 KEL CURLING CLUB	1	30,200	31,710	1,510	5.0%
226 SCHOOLS	20	195,310	205,080	9,770	5.0%
227 CITY OF KELOWNA	74	857,170	900,030	42,860	5.0%
MISC – ST LIGHTS/SIGNALS	4	98,110	103,020	4,910	5.0%
	<u>99</u>	<u>1,180,790</u>	<u>1,239,840</u>	<u>59,050</u>	<u>5.0%</u>
TOTAL	<u>12,218</u>	<u>15,443,290</u>	<u>16,001,630</u>	<u>558,324</u>	<u>3.6%</u>
WHOLESALE POWER		10,444,688	10,991,870	547,182	5.2%