
City of Kelowna

MEMORANDUM

DATE: September 4, 2002
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 **4.6% increase** in annual residential customer revenues, a **1.9% increase** in annual commercial customer revenues and a **4.5% increase** in annual municipal and school revenues for an overall electrical utility revenue rate increase of 3.3%;

AND THAT the approved changes be implemented with the first billing cycle in November, 2002.

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. Over the past 5 years (1997 to 2001) Council has approved various rate structure changes that included both rate increases and decreases bringing all rate codes more in line to their revenue to cost ratios.
3. In January 2002, Aquila Networks Canada increased the Wholesale Service rate to the City of Kelowna by approximately 4.5%.

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 4.8%. The average single family residential customer, without electric heat, will have a monthly increase of approximately \$2.23. 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 3.4 and 8.2%. Residential rate code 201 (lighting, apartments) will be reduced by 6.2%.

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. The changes in 2002 will provide a common rate for six rate codes so that in the future the number of rate codes can be significantly reduced. Revenue changes vary within the commercial area from an increase of 8.8% for rate code 214 (water heat power) to a decrease of 1.9% 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 4.5%, similar 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 over the last five years has provided a smoother transition to rates that are more reflective of the cost of providing service. A cost of service review will be requested as part of the Electrical Division's 2003 budget. Common rates are now in place for several commercial rate codes and consolidation of various rate codes will be considered for 2003. This is an opportune time to review where the rate restructuring has progressed to and examine potential changes that will guide the electrical rate structure over the next few years.

R. Carle
Electrical Manager

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

KG/ms
Attachments

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

RESIDENTIAL RATE COMPARISON - RATE CODES 101-107

BASED ON THE FOLLOWING RATES (\$/kWH):

	CURRENT	NEW	% CHANGE
1st kWH	8.00	8.50	6.25%
Balance	0.05271	0.05508	4.50%

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	14.54	15.33	0.79	5.5%
250	21.12	22.21	1.09	5.2%
500	34.30	35.98	1.68	4.9%
730	46.43 *	48.65	2.23	4.8%
825	51.43 **	53.89	2.45	4.8%
1,000	60.66	63.52	2.87	4.7%
1,250	73.83	77.29	3.46	4.7%
1,500	87.01	91.06	4.05	4.7%
2,000	113.37	118.60	5.24	4.6%
3,000	166.08	173.68	7.61	4.6%
5,000	271.50	283.84	12.35	4.5%
10,000	535.05	559.24	24.20	4.5%

* Average single family residential (no electric heat) 730 kWH's per month.

** Average single family residential (with electric heat) 825 kWH's per month.
(Based on 2001 consumption)

ELECTRICAL UTILITY REVENUES - SUMMARY RATE CODE CHANGES 2002

<u>RATE CODE</u>	<u># OF CUST.</u>	<u>ANNUAL REVENUES CURRENT</u>	<u>PROPOSED</u>	<u>DIFFERENCE</u>	<u>% CHANGE</u>
RESIDENTIAL					
101-107 RESIDENTIAL	10,490	5,849,080	6,129,836	280,756	4.8%
116 - POWER B	123	971,640	1,013,712	42,072	4.3%
201 PWR APARTMENT	54	94,430	88,575	(5,855)	-6.2%
202 WTR HTG APTS	5	5,130	5,551	421	8.2%
204 SEC PWR APTS	27	25,350	26,212	862	3.4%
	10,699	6,945,630	7,263,886	318,256	4.6%
COMMERCIAL					
211 TEMP PWR	18	18,100	18,788	688	3.8%
213 COMM LIGHTING	757	1,372,630	1,347,236	(25,394)	-1.9%
214 WTR HEAT PWR	8	1,990	2,165	175	8.8%
215 PWR CLASS A	282	2,439,880	2,483,798	43,918	1.8%
218 SECONDARY PWR	210	461,190	473,873	12,683	2.8%
219 WINDOW LIGHTING	9	3,660	3,935	275	7.5%
220 PRIMARY POWER	10	465,570	482,237	16,667	3.6%
223 LARGE PRIMARY	1	433,940	445,656	11,716	2.7%
224 MEDIUM PRIMARY	8	2,429,340	2,516,067	86,727	3.6%
IRRIGATION POWER	32	5,870	6,075	205	3.5%
	1,335	7,632,170	7,779,831	147,661	1.9%
MUNICIPAL & SCHOOLS					
225 KEL CURLING CLUB	1	29,420	30,744	1,324	4.5%
226 SCHOOLS	19	197,460	206,346	8,886	4.5%
227 CITY OF KELOWNA	72	947,390	990,023	42,633	4.5%
MISC - ST LIGHTS/SIGNALS	4	101,460	106,026	4,566	4.5%
	96	1,275,730	1,333,138	57,408	4.5%
TOTAL	12,130	15,853,530	16,376,855	523,325	3.3%
WHOLESALE POWER COST		10,598,000	11,077,000	479,000	4.5%