
City of Kelowna

MEMORANDUM

DATE: May 30, 2003
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 rates resulting in a **4.3% increase** in annual residential customer, municipal and school customer revenues and a **4.1% increase** in commercial customer revenues;

AND THAT the approved changes be implemented with the first billing cycle in July, 2003.

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 6 years (1997 to 2002) 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 2003, Aquila Networks Canada increased the Wholesale Service rate to the City of Kelowna by approximately 4.3%.

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.

The rate adjustments made over the last six years have resulted in common rates for several commercial rate codes. It has also allowed changes to be made to commercial rate codes to more closely align rate code revenues with their cost of service.

The recommended changes at this time are to simply pass along the same 4.3% increase that the bulk power purchase has experienced. Commercial rate code 215 (General Service) is the exception, as it was increased by only 3.8% to allow for the demand charge to be a flow through from our bulk purchase.

Revenues from rate codes 101-107 (residential electricity) and the other residential rate codes will increase by 4.3%. The average single family residential customer, without electric heat, will have a monthly increase of approximately \$2.10. The attached schedule shows the impact at various consumption levels for residential customers in these rate codes.

Rate code 116 (Apartment General Service/Demand) is the only rate code with different % changes at different steps of consumption. This was done to allow for the demand charge to flow through similar to rate code 215. This is the only rate code where the impact will be different depending on the customers' monthly consumption levels.

Changes in the commercial (other than RC 215), municipal and school rate codes are also recommended to increase by 4.3% for all steps in the consumption charge.

The attached schedule shows the difference between the existing rates and the proposed new rates. A future cost of service review will determine 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 Financial Services
Financial Planning Manager
Revenue Supervisor

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>	8.50	8.87	4.35%
<i>Balance</i>	0.05508	0.05745	4.30%

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>
200	19.46	20.30	0.84	4.3%
350	27.72	28.92	1.20	4.3%
500	35.98	37.54	1.55	4.3%
730	48.65 *	50.75	2.10	4.3%
825	53.89 **	56.21	2.32	4.3%
1,000	63.52	66.26	2.74	4.3%
1,250	77.29	80.63	3.33	4.3%
1,500	91.06	94.99	3.92	4.3%
2,000	118.60	123.71	5.11	4.3%
3,000	173.68	181.16	7.48	4.3%
5,000	283.84	296.06	12.22	4.3%
10,000	559.24	583.31	24.07	4.3%

* 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 2003

RATE CODE	# OF CUST.	ANNUAL REVENUES		DIFFERENCE	% CHANGE
	CURRENT	PROPOSED			
RESIDENTIAL					
101-107 RESIDENTIAL	10,490	6,130,000	6,393,590	263,590	4.3%
116 - APARTMENT GEN. SERV/DEMAND	123	1,014,000	1,057,602	43,602	4.3%
201,204 PWR APARTMENT	81	114,800	119,736	4,936	4.3%
202 WTR HTG APTS	5	5,550	5,789	239	4.3%
	10,699	7,264,350	7,576,717	312,367	4.3%
COMMERCIAL					
211 TEMP POWER	18	18,800	19,608	808	4.3%
213,218,219 SMALL GENERAL SERV	976	1,825,000	1,903,475	78,475	4.3%
214 WTR HEAT PWR	8	2,200	2,295	95	4.3%
215 GENERAL SERVICE/DEMAND	282	2,483,800	2,578,184	94,384	3.8%
220 PRIMARY POWER	10	482,200	502,935	20,735	4.3%
223 LARGE PRIMARY	1	445,700	464,865	19,165	4.3%
224 MEDIUM PRIMARY	8	2,516,000	2,624,188	108,188	4.3%
IRRIGATION POWER	32	6,100	6,362	262	4.3%
	1,335	7,779,800	8,101,912	322,112	4.1%
MUNICIPAL & SCHOOLS					
226 SCHOOLS	19	206,300	215,171	8,871	4.3%
227, 225 CITY OF KELOWNA	73	1,020,700	1,064,590	43,890	4.3%
MISC - ST LIGHTS/SIGNALS	4	106,000	110,558	4,558	4.3%
	96	1,333,000	1,390,319	57,319	4.3%
TOTAL	<u>12,130</u>	<u>16,377,150</u>	<u>17,068,948</u>	<u>691,798</u>	<u>4.2%</u>
WHOLESALE POWER		11,461,000	11,956,800	495,800	4.3%