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City of Kelowna

**MEMORANDUM**

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DATE: June 22, 2004  
FILE: 1824-02  
TO: City Manager  
FROM: Electrical Manager  
RE: ELECTRICAL UTILITY RATES

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**RECOMMENDATION:**

THAT Council approve a change to the City's electrical utility rates resulting in a 4.4% increase in annual residential customer revenues, a 4.3% increase in municipal and school customer revenues and a 4.2% increase in commercial customer revenues;

AND THAT staff be instructed to prepare the required bylaw;

AND FURTHER THAT the approved changes be implemented with the first billing cycle in August, 2004.

**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 7 years (1997 to 2003) 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 May 2004, Aquila/FortisBC Inc. 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. It has allowed changes to be made to rate codes to more closely align rate code revenues with their cost of service.

The recommended changes are mainly to pass along the same 4.3% increase that the bulk power purchase has experienced. Overall, the recommended changes provide for a 4.3% revenue increase.

Revenues from rate codes 101-107 (residential electricity) will increase by 4.3%. The average single family residential customer, without electric heat, will have a monthly increase of approximately \$2.18. The attached Schedule 1 shows the impact at various consumption levels for residential customers in these rate codes.

Rate code 116 (Apartment General Service/Demand) and rate codes 201/204 (Secondary Power Apartments) have different % changes at different steps of consumption. This was done to make the rates comparable with similar type general service charges. The actual % impact will be different depending on the customers' monthly consumption levels.

Changes to the general service commercial rate codes involved leaving the initial rate block the same and then increasing the remaining rate blocks by 4.3%. This was done as part of the rate restructuring to align with their cost of service.

Municipal and school rate codes are also recommended to increase by 4.3% for all steps in the consumption charge.

The attached Schedule 2 shows the difference between the existing rates and the proposed new rates.

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R. Carle  
Electrical Manager

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

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Attachments

cc: Director of Financial Services  
Financial Planning Manager  
Investments & Payroll Manager

**Schedule 1**

**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> | 8.87           | 9.25       | 4.28%           |
| <i>Balance</i> | 0.05745        | 0.05992    | 4.30%           |

| <b>MONTHLY % INCREASE FOR CITY OF KELOWNA RESIDENTIAL CUSTOMERS</b> |                            |                        |                          |                        |
|---|----------------------------|------------------------|--------------------------|------------------------|
| <b><u>KW USED</u></b>   | <b><u>CURRENT RATE</u></b> | <b><u>NEW RATE</u></b> | <b><u>DIFFERENCE</u></b> | <b><u>% CHANGE</u></b> |
| 125   | 15.99                      | 16.68                  | 0.69                     | 4.3%                   |
| 250   | 23.18                      | 24.17                  | 1.00                     | 4.3%                   |
| 500   | 37.54                      | 39.15                  | 1.61                     | 4.3%                   |
| <b>730</b>  | <b>50.75 *</b>             | <b>52.93</b>           | <b>2.18</b>              | <b>4.3%</b>            |
| <b>825</b>  | <b>56.21 **</b>            | <b>58.62</b>           | <b>2.42</b>              | <b>4.3%</b>            |
| 1,000   | 66.26                      | 69.11                  | 2.85                     | 4.3%                   |
| 1,250   | 80.63                      | 84.09                  | 3.47                     | 4.3%                   |
| 1,500   | 94.99                      | 99.07                  | 4.08                     | 4.3%                   |
| 2,000   | 123.71                     | 129.03                 | 5.32                     | 4.3%                   |
| 3,000   | 181.16                     | 188.95                 | 7.79                     | 4.3%                   |
| 5,000   | 296.06                     | 308.79                 | 12.73                    | 4.3%                   |
| 10,000  | 583.31                     | 608.39                 | 25.08                    | 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.

**Schedule 2**

**ELECTRICAL UTILITY REVENUES - SUMMARY RATE CODE CHANGES 2004**

|                              | # OF         | ANNUAL REVENUES |                 |                   |                 |
|------------------------------|--------------|-----------------|-----------------|-------------------|-----------------|
| <u>RATE CODE</u>             | <u>CUST.</u> | <u>CURRENT</u>  | <u>PROPOSED</u> | <u>DIFFERENCE</u> | <u>% CHANGE</u> |
| RESIDENTIAL                  |              |                 |                 |                   |                 |
| 101-107 RESIDENTIAL          | 10,815       | 6,909,650       | 7,206,760       | 297,110           | 4.3%            |
| 116 - POWER B                | 125          | 1,287,000       | 1,352,300       | 65,300            | 5.1%            |
| 201, 204 PWR APARTMENT       | 80           | 109,570         | 113,450         | 3,880             | 3.5%            |
| 202 WTR HTG APTS             | 5            | 6,030           | 6,290           | 260               | 4.3%            |
|                              | 11,025       | 8,312,250       | 8,678,800       | 366,550           | 4.4%            |
| COMMERCIAL                   |              |                 |                 |                   |                 |
| 211 TEMP PWR                 | 40           | 27,900          | 29,100          | 1,200             | 4.3%            |
| 213,218,219 SMALL GENERAL SE | 967          | 1,841,000       | 1,909,920       | 68,920            | 3.7%            |
| 214 WTR HEAT PWR             | 8            | 2,130           | 2,300           | 170               | 8.0%            |
| 215 GENERAL SERVICE/DEMANI   | 287          | 2,873,000       | 2,993,800       | 120,800           | 4.2%            |
| 220 PRIMARY POWER            | 10           | 500,400         | 522,100         | 21,700            | 4.3%            |
| 223 LARGE PRIMARY            | 1            | 492,200         | 513,550         | 21,350            | 4.3%            |
| 224 MEDIUM PRIMARY           | 8            | 2,599,600       | 2,712,500       | 112,900           | 4.3%            |
| IRRIGATION POWER             | 32           | 6,000           | 6,260           | 260               | 4.3%            |
|                              | 1,353        | 8,342,230       | 8,689,530       | 347,300           | 4.2%            |
| MUNICIPAL & SCHOOLS          |              |                 |                 |                   |                 |
| 226 SCHOOLS                  | 19           | 185,500         | 193,450         | 7,950             | 4.3%            |
| 227 CITY OF KELOWNA          | 69           | 1,092,700       | 1,139,680       | 46,980            | 4.3%            |
| MISC - ST LIGHTS/SIGNALS     | 4            | 101,460         | 105,800         | 4,340             | 4.3%            |
|                              | 92           | 1,379,660       | 1,438,930       | 59,270            | 4.3%            |
| TOTAL                        | 12,470       | 18,034,140      | 18,807,260      | 773,120           | 4.3%            |
| WHOLESALE POWER COST         |              | 12,654,400      | 13,201,750      | 547,350           | 4.3%            |