
City of Kelowna

MEMORANDUM

DATE: June 17, 2005
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 **4.1% increase** in annual residential customer revenues, a **3.4% increase** in municipal and school customer revenues and a **2.6% increase** in commercial customer revenues;

AND THAT the approved changes be implemented with the first billing cycle in September, 2005.

BACKGROUND:

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 8 years (1997 to 2004) 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. Effective January 1, 2005, FortisBC Inc. increased the Wholesale Service rate to the City of Kelowna by 3.7% on an interim basis. FortisBC was required to report back to the Utilities Commission on their revenue requirement and that filing will result in a rate increase of 3.4% for 2005.

The recommended changes to electrical rates for 2005 incorporate the principles adopted by Council for the restructuring of the electrical utility service rates by aligning rate code revenues with their cost of service. This policy results in a larger increase to residential rates and a smaller increase to commercial rates for 2005.

Overall, the recommended changes provide for a 3.4% revenue increase consistent with the impact on the City's bulk purchase costs.

Revenues from rate codes 101-107 (residential electricity) will increase by 4.5%. The average single family residential customer, without electric heat, will have a monthly increase of approximately \$2.35. 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 is due to rate changes that are different at the various rate blocks and the actual % impact will be different depending on the customer's monthly consumption levels.

A similar change is recommended for the general service commercial rate codes. The various rate blocks were increased by differing percentages so that the actual impact will be dependent on the individual customer's consumption pattern. The average increase for the commercial rate codes is 2.6%. This was done as part of the rate restructuring to align with their cost of service.

Municipal and school rate codes are recommended to increase by 3.4% for all steps in the consumption charge.

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



R. Carle
Electrical Manager

Approved for inclusion:
John Vos, P. Eng.
Director of Works & Utilities

KG/ms

Attachments

cc: Director of Financial Services
Financial Planning Manager
Revenue Supervisor

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>	9.25	9.50	2.70%
<i>Balance</i>	0.05992	0.06280	4.81%

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	16.68	17.29	0.61	3.6%
250	24.17	25.14	0.97	4.0%
500	39.15	40.84	1.69	4.3%
730	52.93 *	55.28	2.35	4.4%
825	58.62 **	61.25	2.62	4.5%
1,000	69.11	72.24	3.13	4.5%
1,250	84.09	87.94	3.85	4.6%
1,500	99.07	103.64	4.57	4.6%
2,000	129.03	135.04	6.01	4.7%
3,000	188.95	197.84	8.89	4.7%
5,000	308.79	323.44	14.65	4.7%
10,000	608.39	637.44	29.05	4.8%

* 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 2005

<u>RATE CODE</u>	<u># OF CUST.</u>	ANNUAL REVENUES			<u>% CHANGE</u>
		<u>CURRENT</u>	<u>PROPOSED</u>	<u>DIFFERENCE</u>	
<i>RESIDENTIAL</i>					
101-107 RESIDENTIAL	10,900	7,364,000	7,692,300	328,300	4.5%
116 - APARTMENT GEN. SERV/DEMA	115	1,296,600	1,329,100	32,500	2.5%
201,204 PWR APARTMENT	76	114,000	117,100	3,100	2.7%
202 WTR HTG APTS	5	6,000	6,140	140	2.3%
	<u>11,096</u>	<u>8,780,600</u>	<u>9,144,640</u>	<u>364,040</u>	<u>4.1%</u>
<i>COMMERCIAL</i>					
211 TEMP POWER	225	77,100	79,500	2,400	3.1%
213,218,219 SMALL GENERAL SERV	975	1,908,600	1,962,650	54,050	2.8%
214 WTR HEAT PWR	9	2,440	2,520	80	3.3%
215 GENERAL SERVICE/DEMAND	300	2,833,700	2,898,350	64,650	2.3%
220 PRIMARY POWER	10	435,350	446,200	10,850	2.5%
223 LARGE PRIMARY	1	455,700	471,150	15,450	3.4%
224 MEDIUM PRIMARY	8	2,601,200	2,667,100	65,900	2.5%
IRRIGATION POWER	1	60	62	2	3.3%
	<u>1,529</u>	<u>8,314,150</u>	<u>8,527,532</u>	<u>213,382</u>	<u>2.6%</u>
<i>MUNICIPAL & SCHOOLS</i>					
226 SCHOOLS	16	165,900	171,541	5,641	3.4%
227, 225 CITY OF KELOWNA	70	1,237,000	1,279,058	42,058	3.4%
MISC - ST LIGHTS/SIGNALS	40	130,000	134,420	4,420	3.4%
	<u>126</u>	<u>1,532,900</u>	<u>1,585,019</u>	<u>52,119</u>	<u>3.4%</u>
TOTAL	<u><u>12,751</u></u>	<u><u>18,627,650</u></u>	<u><u>19,257,191</u></u>	<u><u>629,541</u></u>	<u><u>3.4%</u></u>
WHOLESALE POWER		13,263,700	13,714,700	451,000	3.4%