

Memo



Date: April 27, 2011
File: 1824-02
To: City Manager
From: Cindy McNeely, Electrical Administration Manager
Subject: 2011 Electrical Utility Rate Increase

Recommendation:

THAT Council receives, for information, the report from the Electrical Administration Manager dated April 27, 2011 with respect to approving a rate increase on average of 3.0% to the City's electrical utility rates for all annual residential customer revenues and 2.5% for municipal and school and flat rate customer for rate rebalancing as per FortisBC 2009 Rate Design and Cost for Service Study Application;

AND THAT Council approve a further rate increase of 1.5 % to the City's electrical utility rates for all annual residential customers' revenues, municipal and school customers revenues and commercial revenues as the flow through increase from BC Hydro to FortisBC that was approved by the BCUC on an interim bases on April 21, 2011;

AND THAT Council approve additional rate changes to services charges in Schedule "C" and Schedule "D" of the City of Kelowna Electricity Regulation Bylaw No. 7639;

AND THAT Council approves the 2011 electrical rates to be effective with the first billing cycle in June, 2011;

AND FURTHER THAT Council give reading consideration to Bylaw No. 10517 being Amendment No. 27 to City of Kelowna Electricity Regulation Bylaw No. 7639.

Purpose:

To obtain Council approval for the proposed electrical utility rate increases.

Background:

In a previous report dated January 11, 2011 to Council, it was noted that FortisBC received approval from the British Columbia Utilities Commission (BCUC) to apply the results from their Cost of Service Study Application (BCUC Order G-196-10) to their customers effective May 1, 2011. That restructure meant a 2.5 % increase to the wholesale power rate for the City of Kelowna and is being passed along to all non-commercial customers. In that restructure, Fortis BC reduced the commercial rate by 5.5% but the City was not able to reduce the commercial rates on the break-even basis. Also noted in that report an additional 3.5% increase to overall customers categories

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due to a BC Hydro rate increase. That proposed rate increase has now been reduced to 1.5% and this increase is recommended to be applied against all customers.

The rate increase from FortisBC will impact the bulk power purchase rate for the City of Kelowna and that rate increase is normally flowed through to our City Electrical Utility customers. The attached Schedule 1 shows the impact at various consumption levels for residential customers.

Secondly, upon a review of the service charges implemented by our current service provider FortisBC, we have found that our rates in Schedule C will now require adjustments to recover our cost incurred and Schedule D, sub-section D-8 ADMINISTRATION will require new effective dates and fee increases.

FINANCIAL/BUDGETARY CONSIDERATIONS:

Impacts of the rate increase have been estimated and included in the 2011 budget submission. The additional energy cost for street lighting will be addressed at Final Budget.

Considerations not applicable to this report:

Internal Circulation:

Legal/Statutory Authority:

Legal/statutory Procedural Requirements:

Existing Policy:

Personnel Implications:

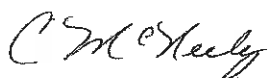
Technical Requirements:

External Agency/Public Comments:

Communications Considerations:

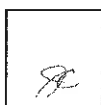
Alternate Recommendation:

Submitted by:



C. McNeely, Electrical Administration Manager

Approved for inclusion:



J. Creron, Director - Civic Operations

CC: Director of Financial Services
General Manager, Community Services
Director, Community and Media Relations

Attach: Schedule 1, C & D
FortisBC Rate Increase Information

Schedule 1***RESIDENTIAL RATE COMPARISON******BASED ON THE FOLLOWING RATES (\$/kWH):***

	<i>CURRENT</i>	<i>NEW</i>	<i>% CHANGE</i>
<i>1st kWH</i>	13.44	14.41	7.2%
<i>Balance</i>	0.08869	0.09226	4.0%

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	24.44	25.85	1.41	5.8%
250	35.52	37.38	1.86	5.2%
500	57.70	60.45	2.75	4.8%
730	78.10	81.67	3.57	4.6%
825	86.52	90.43	3.91	4.5%
1,000	102.04	106.58	4.54	4.4%
1,250	124.21	129.64	5.43	4.4%
1,500	146.39	152.71	6.32	4.3%
2,000	190.73	198.84	8.11	4.3%
3,000	279.42	291.10	11.68	4.2%
5,000	456.80	475.62	18.82	4.1%
10,000	900.25	936.92	36.67	4.1%

*The Electricity for the average residential household using 1,000 kwh will increase by \$4.54 to a total of \$106.58 per month

Schedule "C" – Bylaw No. 7639

APPENDIX C-13

Electrical Service Connection Charge for Single Family Properties:

1. New/Temporary/Upgrade or Relocation Underground and /or Overhead:

	Overhead	Underground From Service Box	Underground From Pole
200 amp service or less, during regular hours	\$800	\$825	\$1845

****All residential service greater than 200 amps and/or with more than one single family dwelling/liveable unit will be considered commercial and will pay 100% of actual costs based on a cost estimate (minimum fee \$800.00).**

**Amendments to be made to SCHEDULE 'D'
OF
BYLAW NO. 7639**

**CITY OF KELOWNA ELECTRICAL BILLING
AND COLLECTION REGULATIONS**

D-8. ADMINISTRATION FEES

D-8.1 The fee for making a standard new utility billing account application shall be as follows:

Effective February 16, 1999 - Twenty-three dollars (\$23.00)

Effective January 16, 2000 - Twenty-seven dollars (\$27.00)

Effective October 30, 2007 - Thirty dollars (\$30.00)

Effective June 16th, 2011 - Thirty three (\$33.00) - to be added into amending bylaw

In the case of multiple utility billing account applications, where two or more applications are to be made for one Customer at the same time at one location the fee shall be as follows:

Effective February 16, 1999 - Twenty-three dollars (\$23.00)

Effective January 16, 2000 - Twenty-seven dollars (\$27.00)

Effective October 30, 2007 - Thirty dollars (\$30.00)

Effective June 16th, 2011 - Thirty three (\$33.00) - to be added into amending bylaw

for each application.

D8.3 If it is necessary to re-read a meter more than twice in one calendar year the following fees may apply:

Effective February 16, 1999 - Thirty-five dollars (\$35.00)

Effective January 16, 2000 - Fifty dollars (\$50.00)

Effective October 30, 2007 - Fifty-five dollars (\$55.00)

Effective June 16th, 2011 - Sixty-five (\$65.00) - to be added to amending bylaw

D8.4 The fee for a change of **service** shall be as follows:

Effective February 16, 1999 - Twenty-three dollars (\$23.00)

Effective January 16, 2000 - Twenty-seven dollars (\$27.00)

Effective October 30, 2007 - Thirty dollars (\$30.00)

Effective June 16th, 2011 - Thirty three (\$33.00) - to be added to amending bylaw

If it is necessary to call out a work crew the fee shall be Two Hundred and Sixty dollars (\$260.00) during call-out hours.

If it is necessary to call out a work crew after regular hours the fee shall be five hundred and six dollars. (\$506.00) - to be added to amending bylaw

D8.5 The fee for a reconnection to supply after disconnection for violation of this Bylaw shall be as follows:

Effective February 16, 1999 - Twenty-three dollars (\$23.00)

Effective January 16, 2000 - Twenty-seven dollars (\$27.00)

Effective October 30, 2007 - Thirty dollars (\$30.00)

Effective June 16th, 2011 - Thirty three (\$33.00) - to be added to amending bylaw

If it is necessary to call out a work crew the fee shall be Two Hundred and Sixty dollars (\$260.00) during call-out hours.

If it is necessary to disconnect/reconnect at the pole during regular hours the fee shall be Two Hundred and Sixty dollars (\$260.00) per call out.

If it is necessary to disconnect/reconnect at the pole during call-out hours the fee shall be Four Hundred and Sixty dollars (\$460.00) per call out.

If it is necessary to call out a work crew after regular hours the fee shall be five hundred and six dollars. \$506.00) – to be added to amending bylaw

FortisBC Rate Increase Information

During the 2011 Negotiated Settlement Process (NSP), FortisBC committed to provide a summary of factors that will affect rates in 2011 in order to help intervenors with their own stakeholder communications.

The information below reflects FortisBC's current projections of total pending rate adjustments on each rate class using the best information currently available.

The Company shares the concerns of the NSP participants about the rising cost of providing electrical service and will continue to take steps to mitigate rate increases. Some measures taken recently in this regard have been:

- Renegotiating credit facilities at more favourable rates;
- Revising tax treatment of certain cost-of-removal items;
- Holding O&M per customer essentially flat over the PBR term;
- Recovering third party revenue resulting from pole contact renegotiation and audits;
- Finding cost savings in capital projects including the implementation of national materials purchase agreements to leverage the buying power of the Fortis group of companies;
- Sharing infrastructure with BC Hydro to provide significant cost savings benefits to both FortisBC and BC Hydro customers. (Vaseux Lake and Duck Lake); and
- Sharing of Executive with Terasen Gas to leverage off the strength of a combined executive.

These cost savings are a direct benefit to customers.

Total Projected 2011 Rate Increases

Incorporating the 2011 RRA results (including the impact of the Capital Expenditure Plan Order G-195-10), the rebalancing as prescribed in Order G-156-10 and BCUC Letter dated December 17, 2010 (which caps rebalancing increases to 2.5% annually on or before April 1, 2011) and the R/C ratios below, and the forecast BC Hydro F2012 Interim Flow-through results in first year rate increases as shown in the following table.

Total Projected 2011 Rate Increase

	Revenue Requirement Increase (6.6%)	Rebalancing Adjustment (Year One) (~April 1)	Estimated BC Hydro F2012 Interim Flowthrough* (~April 1)	Estimated Total Annualized Increase
Residential	6.6%	2.5%	3.5%	11.1%
Small General Service	6.6%	-5.8%	3.5%	4.9%
General Service	6.6%	-5.8%	3.5%	4.9%
Large GS Primary 30	6.6%	-5.8%	3.5%	4.9%
Large GS Transmission 31	6.6%	1.4%	3.5%	10.3%
Lighting	6.6%	2.5%	3.5%	11.1%
Irrigation	6.6%	0.0%	3.5%	9.2%
Wholesale Primary	6.6%	2.5%	3.5%	11.1%
Nelson Wholesale	6.6%	2.5%	3.5%	11.1%

* Based on projected BC Hydro F2012 increase of
16.27%

2011 Rate Increase Chronology

October 2010 Preliminary Revenue Requirement – 5.9%

Add: November 1 update changes 0.3%

November 2010 Update 6.2%

Less: Negotiated Settlement Items 0.5%

Negotiated Settlement Impact 5.7%

Less: Impact of BC Hydro F2011 NSA 0.5%

Rate Increase (before 2100 Capital Plan Decision) 5.2%

Add: Impact of Capital Plan Decision 1.4%**Final 2011 Rate Increase 6.6%****2011 Rate Increase Breakdown**

Power Supply -0.43%

Operating 1.48%

Taxes 1.04%

Financing 4.54%

Other -0.03%**Total Revenue Requirement 6.60%**

Revenue to Cost Ratios

Final Revenue to Cost ratios as a result of Commission Decision G-156-10 are as follows:

	Initial
	Revenue to Cost Ratio
Residential	93.3%
Small General Service	107.6%
General Service	128.2%
Large GS Primary 30	112.8%
Large GS Transmission 31	98.7%
Lighting	84.4%
Irrigation	88.8%
Wholesale Primary	94.0%
Nelson Wholesale	95.1%