



Rochelle Municipal Utilities Business and Financial Analysis

Memo

To: Dave Plyman
From: Dan Westin
Date: April 22nd 2014
Re: Electric Rate Modification FY2014/2015

SUBJECT: Recommendation Establishing Utility Services Price Schedule for Electric

Recommended Action: Consider Approving a Resolution Establishing Utility Services Price Schedule for Electric

History and Fact: The 2012 electric rate study used to design the rates for Rochelle Municipal Utility (RMU) electric customers created a balancing of the rate structure with revenue requirements.

The report recommended to increase the electric rates by approximately 14%. At that time, City Manager Plyman recommended that the rate increase be phased in over several years to ease the impact on the customers. Therefore, the rate schedules that were subsequently drafted by rate consultant UFS and approved by the City Council represented an overall rate increase of approximately 7%. In 2012 a full Electric Cost of Service study was prepared. The report included a recommendation to revise the electric rates an overall rate increase of 2% in order to more closely meet the cost of providing service especially with regards to basic cost versus energy cost as well as provide an efficient demand rate structure for economic use of energy. For FY14/15 UFS has again reviewed RMU's rate structure with a resulting rate modification of 3 % based on the updated financial projections including cost factor changes and the FY14/15 budget since the latest study which was finalized January 2013.

Discussion: A typical residential customer with an average electric summer bill of \$ 110.33 will see an increase of \$ 5.42 per month in the four summer months and an increase by \$ 1.00 per month in the eight non-summer months if no changes to energy use is made.

In the Time-of-Use rate a typical residential customer with an average electric bill of \$ 110.33 will see an opportunity to save up to 5 % by modifying the energy consumption based on hour of usage.

Rate 150 has been corrected as a direct demand measurement versus the old version that had a layered approach. The rate structure now also includes September as a ratchet month as RMU is being measured for that month as well for capacity charges from the regional grid.

In addition, Rider #3 has been updated to correct an old demand response measure no longer available as well as a new rider created (Rider # 6) which formalizes an operational policy on how to handle erratic demand measurements.

The UAB formally recommended to approve the modification of the electrical rate structure at its meeting in March 27th.

Recommendation: Approve a Resolution Establishing Utility Services Price Schedule and related riders for Electric Effective May 1, 2014