

FOR BOARD ACTION

Agenda Item # 10.

Meeting Date:

12/14/06

SUBJECT:

2007 Electric Revenue Adjustment

PREPARED BY:

Curt Kraft, Director of Corporate Services

ITEM DESCRIPTION:

At the last Utility Board meeting, staff presented alternative revenue adjustments that would allow for providing reliable, quality service and maintaining a sound financial position. The Board's preliminary consensus was for an 8% increase in 2007. A notice of the proposed revenue adjustment was provided to the public via the paper of record.

Staff recommends that the Board proceed with a recommendation to the City Council for increasing electric rates by 8% effective January 1, 2007 on all the current rate schedules. An 8% increase would increase the typical residential bill by approximately \$ 5.50 per month.

Staff would also propose that the customer charge for a residential customer be adjusted from \$ 10 to \$ 11.50, and the general service customer be adjusted from \$20 to \$ 23, while maintaining an overall increase of 8% in these rate classes. The adjustment to this rate component moves us closer to what our cost-of-service model indicates we should be.


Staff recommends the removal of language in the rate schedules related to specific initiation dates for the interruptible rate. Staff further recommends the removal of the Heating Seasonal Performance Factor (HSPF) and the Co-efficient of Performance (COP) as minimum qualifications for Air Source and Ground Source heat pumps as these factors are related to heating load. The efficiency factors related to cooling loads are more important to RPU and are still part of the high-efficiency HVAC rates. Additionally, for all rate tariffs with a demand component, staff recommends changing the term "month" used in the explanation of determination of demand and billing demand to the term "billing periods" and adding the statement explaining that billing periods may not coincide with calendar months. This will more accurately describe billing practices.

UTILITY BOARD ACTION REQUESTED:

1. Approve and recommend to the City Council an 8.0% electric rate increase to all customer classes effective January 1, 2007.
2. Approve a resolution for the following existing and modified rate schedules to be effective January 1, 2007.

Residential Service (RES)
Residential Service-Dual Fuel (RES-DF)
Residential-High Efficiency HVAC (RES-HEF)
General Service (GS)
General Service-High Efficiency
General Service Time-Of-Use (GS-TOU)
Medium General Service (MGS)
Medium General Service-High Efficiency
Medium General Service Time-Of-Use (MGS-TOU)

Large General Service (LGS)
Large Industrial Service (LIS)
Interruptible Service (INTR)
City Street Lighting (CSL)
Traffic Signals (TS)
Highway Lighting (HL)
Security Lighting (SL)
Civil Defense Sirens (CDS)


General Manager


Date



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the following rate schedules effective January 1, 2007.

Residential Service (RES)
Residential Service-Dual Fuel (RES-DF)
Residential-High Efficiency HVAC (RES-HEF)
General Service (GS)
General Service-High Efficiency
General Service Time-Of-Use (GS-TOU)
Medium General Service (MGS)
Medium General Service-High Efficiency
Medium General Service Time-Of-Use (MGS-TOU)

Large General Service (LGS)
Large Industrial Service (LIS)
Interruptible Service (INTR)
City Street Lighting (CSL)
Traffic Signals (TS)
Highway Lighting (HL)
Security Lighting (SL)
Civil Defense Sirens (CDS)

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 14th day of December 2006.

President

Secretary



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Common Council of the said City is requested to approve an 8.0% increase electric rates effective January 1, 2007 to the following rate classes:

Residential Service (RES)	Large General Service (LGS)
Residential Service-Dual Fuel (RES-DF)	Large Industrial Service (LIS)
Residential-High Efficiency HVAC (RES-HEF)	Interruptible Service (INTR)
General Service (GS)	City Street Lighting (CSL)
General Service-High Efficiency	Traffic Signals (TS)
General Service Time-Of-Use (GS-TOU)	Highway Lighting (HL)
Medium General Service (MGS)	Security Lighting (SL)
Medium General Service-High Efficiency	Civil Defense Sirens (CDS)
Medium General Service Time-Of-Use (MGS-TOU)	

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 14th day of December, 2006.

President

Secretary