

FOR BOARD ACTION

Agenda Item # 10.

Meeting Date:

12/13/07

SUBJECT:

2008 Electric Revenue Adjustment and Annual Clean Air Rider Update

PREPARED BY:

Sue Parker, Director of Corporate Services

ITEM DESCRIPTION:

At the last Utility Board meeting, staff presented a proposed 4% retail revenue increase for 2008 which would allow for providing reliable, quality service and maintaining a sound financial position. The Board-gave its preliminary consensus for a 4% increase in 2008. 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 retail revenues by 4% overall for the year. We have reported the new RPU billing system (CCS) has yet to complete acceptance testing. Therefore, although the rate adjustment would be effective January 1 2008, we recommend implementing as soon as testing is complete with a percent adjustment to approximate a 4% annual increase. For the year the revenue adjustment would increase the typical residential bill by approximately \$3.00 per month.

Staff would also propose that the customer charge for a residential customer be adjusted from \$11.50 to \$13.00, and the general service customer charge be adjusted from \$23.00 to \$ 26.00, while maintaining an overall revenue increase of 4% 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 also recommends adjusting the Clean Air Rider rate from \$0.00231/KWH to \$0.00168/KWH. The Clean Air Rider is intended to collect a fixed amount of approximately \$2,280,000 each year to cover the annual levelized debt service costs for the Silver Lake Emissions Reduction Project. It was implemented in April 2007, and will expire when the debt is fully paid in 2030. The 2008 rate reflects collecting it over a full twelve months with increased projected kwh sales versus collecting it over just nine months in 2007. The rate will be updated annually using the upcoming year's kwh sales forecast.

Implementation with necessary percent adjustment to approximate a 4% revenue increase will occur as soon as new billing system tests are complete.

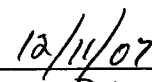
UTILITY BOARD ACTION REQUESTED:

1. Approve and recommend to the City Council an overall 4.0% electric revenue increase for the year with changes to all customer classes effective January 1, 2008, and the annual update to the Clean Air Rider rate.
2. Approve a resolution for the following existing and modified rate schedules to be effective January 1, 2008.

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


General Manager


Date

ROCHESTER PUBLIC UTILITIES



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the following rate schedules effective January 1, 2008.

Residential Service (RES)	Large General Service (LGS)
Residential Service-Dual Fuel (RES-DF)	Large Industrial Service (LIS)
Residential-High Efficiency HVAC (RESELGEO)	Interruptible Service (INTR)
General Service (GS)	City Street Lighting (CSL)
General Service-High Efficiency (GS-HEF)	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 (MGS-HEF)	Civil Defense Sirens (CDS)
Medium General Service Time-Of-Use (MGS-TOU)	Clean Air Rider (CAR)

BE IT FURTHER 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 overall 4.0% electric revenue increase with changes to all customer classes and an annual update to the Clean Rider Rate effective January 1, 2008.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 13th day of December 2007.

President

Secretary