

**MEMORANDUM**

**TO:** The Honorable Mayor Craig Fletcher, Vice Mayor Tracy Carroll, Councilmember Jay Kramer, Councilmember Pilar Turner and Councilmember Richard Winger

**FROM:** James R. O'Connor, City Manager 

Cynthia D. Lawson, Finance Director 

**DATE:** December 5, 2012

**SUBJECT: FISCAL YEAR 12-13 ELECTRIC UTILITY RATE SUFFICIENCY**

Attached for your review and consideration during our December 11, 2012 workshops is an analysis of the Electric Utility rate sufficiency (based on forecasted revenues and expenditures) for FY 12-13.

Based on this analysis, staff is recommending that the Bulk Power Cost Charge be increased from \$67.00 per 1,000 kWh to \$74.00 per 1,000 kWh for FY 12-13 effective December 12, 2012. This represents an increase of 5.8% on a typical 1,000 kWh residential bill. Staff will monitor and compare the actual revenues and expenses to the forecast on a monthly basis, and will provide the Council with an updated sufficiency analysis to be reviewed in May 2013.

The following information is provided in this package:

**ATTACHMENT A: Summary of Expenses, Revenue and Revenue Surplus/Deficiency**

This summary page includes budgeted operating and capital expenses, as well as updated forecasts for fuel & purchased power costs based on current information. **The projected rate revenue assumes that the proposed 5.8% increase is implemented in December.** The projected rate revenues are based on the two year average of actual kWh sales by class.

**ATTACHMENT B: FY 12-13 Electric Utility Sales and Revenue Forecast**

This tab provides the detail for development of the sales and rate revenue projections by customer class.

**ATTACHMENT C: FY 12-13 Purchased Power Expense Forecast**

This tab provides the detailed projection of FY 12-13 purchased power expenses based on the most current information provided by FMPA and OUC.

**ATTACHMENT D: FY 10-11 and FY 11-12 Historical Data – kWh Sales and Billed Revenue**

This tab provides information on FY 10-11 and FY 11-12 actual historical kWh sales and billed revenue.

## **ATTACHMENT A**

### **Summary of Expenses, Revenue and Net Revenues**

**FY 12-13**  
**SUMMARY OF EXPENSES, REVENUE AND REVENUE SURPLUS (DEFICIENCY)**

|  | <b>PROJECTED FY 12-13</b> | <b>SOURCE</b>   |
|--|---------------------------|---|
| <b>Operating Expenses</b>                            |                           |   |
| Power Resources                                      | 4,140,758                 | FY 12-13 Adopted Budget                                     |
| Fuel & Purchased Power                               | 58,775,774                | Updated Projection  |
| Customer Service                                     | 1,895,921                 | FY 12-13 Adopted Budget                                     |
| Transmission & Distribution                          | 5,036,395                 | FY 12-13 Adopted Budget                                     |
| Electric System Design                               | 602,617                   | FY 12-13 Adopted Budget                                     |
| Electric Metering                                    | 885,225                   | FY 12-13 Adopted Budget                                     |
| Non-Departmental                                     | 4,000,363                 | FY 12-13 Adopted Budget                                     |
| Total Operating Expenses                             | 75,337,053                |   |
| <b>Other Revenue Requirements</b>                    |                           |   |
| Debt Service   | 6,734,621                 | FY 12-13 Adopted Budget                                     |
| Transfer to the R&R Fund (Fund 403)                  | 6,000,000                 | FY 12-13 Adopted Budget                                     |
| Transfer to the General Fund                         | 5,612,400                 | FY 12-13 Adopted Budget                                     |
| <b>TOTAL REVENUE REQUIREMENTS</b>                    | <b>93,684,074</b>         |   |
| <b>Projected Rate Revenue</b>                        |                           |   |
| Residential  | 46,617,974                | <b>With Rate Increase</b><br>Projection on 2 Year Avg Sales |
| Commercial   | 43,011,427                | Projection on 2 Year Avg Sales                              |
| Industrial   | 1,613,286                 | Projection on 2 Year Avg Sales                              |
| Outdoor Lighting                                     | 1,003,154                 | Projection on 2 Year Avg Sales                              |
| Total Projected Rate Revenue                         | 92,245,841                |   |
| <b>Other Revenue</b>                                 |                           |   |
| Interest revenue                                     | 144,000                   | FY 12-13 Adopted Budget                                     |
| Customer fees and penalties                          | 665,500                   | FY 12-13 Adopted Budget                                     |
| Customer Service charges - Water/Sewer & Solid Waste | 268,000                   | FY 12-13 Adopted Budget                                     |
| Miscellaneous revenue                                | 162,500                   | FY 12-13 Adopted Budget                                     |
| <b>TOTAL REVENUE</b>                                 | <b>93,485,841</b>         |   |
| <b>REVENUE SURPLUS (DEFICIENCY)</b>                  | <b>(198,232)</b>          | -0.2% of revenue forecast                                   |

## **ATTACHMENT B**

### **FY 12-13 Electric Utility Sales and Revenue Forecast**









## **ATTACHMENT C**

### **FY 12-13 Purchased Power Expense Forecast**



## **ATTACHMENT D**

**FY 10-11 and FY 11-12 Historical Data**

**KwH Sales and Billed Revenue**

FY 10-11 and FY 11-12 HISTORICAL DATA  
KwH SALES AND BILLING REVENUE

**FY 10-11**

|  | Oct<br>10         | Nov<br>10         | Dec<br>10         | Jan<br>11         | Feb<br>11         | Mar<br>11         | Apr<br>11         | May<br>11         | Jun<br>11         | Jul<br>11         | Aug<br>11         | Sep<br>11         | TOTAL              |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| <b>kWh Sales</b>                             |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                    |
| Residential                                  | 30,553,338        | 25,104,397        | 26,644,593        | 36,783,072        | 26,193,937        | 22,778,632        | 26,059,612        | 29,053,677        | 31,397,961        | 34,279,835        | 34,867,376        | 36,614,127        | <b>360,330,557</b> |
| Commercial                                   | 31,367,123        | 27,514,805        | 25,912,836        | 26,667,181        | 23,632,587        | 24,761,482        | 27,587,611        | 29,650,342        | 30,393,545        | 32,740,201        | 31,970,602        | 33,906,443        | <b>346,104,758</b> |
| Industrial - Consumption                     | 1,239,600         | 1,147,200         | 780,000           | 764,400           | 752,400           | 955,200           | 1,094,400         | 1,248,000         | 1,428,000         | 1,432,800         | 1,555,200         | 1,617,600         | <b>14,014,800</b>  |
| Subtotal                                     | 63,160,061        | 53,766,402        | 53,337,429        | 64,214,653        | 50,578,924        | 48,495,314        | 54,741,623        | 59,952,019        | 63,219,506        | 68,452,836        | 68,393,178        | 72,138,170        | <b>720,450,115</b> |
| Outdoor Lighting                             | 334,188           | 334,233           | 341,687           | 341,687           | 341,621           | 339,896           | 340,040           | 340,085           | 340,085           | 340,147           | 340,102           | 337,091           | <b>4,070,862</b>   |
| <b>TOTAL</b>                                 | <b>63,494,249</b> | <b>54,100,635</b> | <b>53,679,116</b> | <b>64,556,340</b> | <b>50,920,545</b> | <b>48,835,210</b> | <b>55,081,663</b> | <b>60,292,104</b> | <b>63,559,591</b> | <b>68,792,983</b> | <b>68,733,280</b> | <b>72,475,261</b> | <b>724,520,977</b> |
| <i>Industrial - Demand Read</i>              |                   | 322               | 243               | 243               | 229               | 232               | 247               | 315               | 311               | 337               | 333               | 337               | 324                |
| <i>Industrial - Demand After Factor</i> 10.8 | 3,478             | 2,624             | 2,624             | 2,473             | 2,506             | 2,668             | 3,402             | 3,359             | 3,640             | 3,596             | 3,640             | 3,499             |                    |

**FY 11-12**

|  | Oct<br>11         | Nov<br>11         | Dec<br>11         | Jan<br>12         | Feb<br>12         | Mar<br>12         | Apr<br>12         | May<br>12         | Jun<br>12         | Jul<br>12         | Aug<br>12         | Sep<br>12         | TOTAL              |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| <b>kWh Sales</b>                             |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                    |
| Residential                                  | 29,907,395        | 23,305,592        | 23,500,393        | 27,363,163        | 23,958,074        | 24,352,788        | 27,730,247        | 25,471,773        | 31,694,237        | 33,039,738        | 34,606,248        | 34,425,565        | <b>339,355,213</b> |
| Commercial                                   | 30,380,161        | 26,997,956        | 27,173,909        | 26,947,357        | 24,913,905        | 26,181,912        | 28,774,601        | 27,463,458        | 31,332,565        | 31,351,010        | 31,932,507        | 32,592,653        | <b>346,041,994</b> |
| Industrial - Consumption                     | 1,360,800         | 119,600           | 1,054,800         | 560,400           | 1,044,000         | 1,075,200         | 1,226,400         | 1,132,800         | 1,348,800         | 1,240,800         | 1,562,400         | 1,404,000         | <b>13,130,000</b>  |
| Subtotal                                     | 61,648,356        | 50,423,148        | 51,729,102        | 54,870,920        | 49,915,979        | 51,609,900        | 57,731,248        | 54,068,031        | 64,375,602        | 65,631,548        | 68,101,155        | 68,422,218        | <b>698,527,207</b> |
| Outdoor Lighting                             | 338,863           | 338,953           | 338,824           | 339,150           | 337,652           | 337,707           | 339,057           | 339,665           | 339,665           | 339,665           | 339,665           | 339,665           | <b>4,068,531</b>   |
| <b>TOTAL</b>                                 | <b>61,987,219</b> | <b>50,762,101</b> | <b>52,067,926</b> | <b>55,210,070</b> | <b>50,253,631</b> | <b>51,947,607</b> | <b>58,070,305</b> | <b>54,407,696</b> | <b>64,715,267</b> | <b>65,971,213</b> | <b>68,440,820</b> | <b>68,761,883</b> | <b>702,595,738</b> |
| <i>Industrial - Demand Read</i>              |                   | 334               | 288               | 271               | 126               | 132               | 144               | 149               | 152               | 162               | 164               | 167               | 168                |
| <i>Industrial - Demand After Factor</i> 10.8 | 3,607             | 3,110             | 2,927             | 1,361             | 1,426             | 1,555             | 1,609             | 1,642             | 1,750             | 1,771             | 1,804             | 1,814             |                    |

**2 yr Average kWh Sales**

|  | Oct               | Nov               | Dec               | Jan               | Feb               | Mar               | Apr               | May               | Jun               | Jul               | Aug               | Sep               | TOTAL                 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------|
| Residential                                  | 30,230,367        | 24,204,995        | 25,072,493        | 32,073,118        | 25,076,006        | 23,565,710        | 26,894,930        | 27,262,725        | 31,546,099        | 33,659,787        | 34,736,812        | 35,519,846        | <b>349,842,885</b>    |
| Commercial                                   | 30,873,642        | 27,256,381        | 26,543,373        | 26,807,269        | 24,273,246        | 25,471,697        | 28,181,106        | 28,556,900        | 30,863,055        | 32,045,606        | 31,951,555        | 33,249,548        | <b>346,073,376</b>    |
| Industrial                                   | 1,300,200         | 633,400           | 917,400           | 662,400           | 898,200           | 1,015,200         | 1,160,400         | 1,190,400         | 1,388,400         | 1,336,800         | 1,558,800         | 1,510,800         | <b>13,572,400</b>     |
| Outdoor Lighting                             | 336,526           | 336,593           | 340,256           | 340,419           | 339,637           | 338,802           | 339,549           | 339,875           | 339,875           | 339,906           | 339,884           | 338,378           | <b>4,069,697</b>      |
| <b>TOTAL</b>                                 | <b>62,740,734</b> | <b>52,431,368</b> | <b>52,873,521</b> | <b>59,883,205</b> | <b>50,587,088</b> | <b>50,391,409</b> | <b>56,575,984</b> | <b>57,349,900</b> | <b>64,137,429</b> | <b>67,382,098</b> | <b>68,587,050</b> | <b>70,618,572</b> | <b>713,558,358</b> ck |
| <i>Industrial - Demand Read</i>              |                   | 328               | 266               | 257               | 178               | 182               | 196               | 232               | 232               | 250               | 249               | 252               | 246                   |
| <i>Industrial - Demand After Factor</i> 10.8 | 3,542             | 2,867             | 2,776             | 1,917             | 1,966             | 2,111             | 2,506             | 2,500             | 2,695             | 2,684             | 2,722             | 2,657             |                       |

**% of Total Average kWh Sales**

|                  | Oct  | Nov  | Dec  | Jan  | Feb  | Mar  | Apr  | May  | Jun   | Jul  | Aug   | Sep   | TOTAL |
|------------------|------|------|------|------|------|------|------|------|-------|------|-------|-------|-------|
| Residential      | 8.6% | 6.9% | 7.2% | 9.2% | 7.2% | 6.7% | 7.7% | 7.8% | 9.0%  | 9.6% | 9.9%  | 10.2% | 100%  |
| Commercial       | 8.9% | 7.9% | 7.7% | 7.7% | 7.0% | 7.4% | 8.1% | 8.3% | 8.9%  | 9.3% | 9.2%  | 9.6%  | 100%  |
| Industrial       | 9.6% | 4.7% | 6.8% | 4.9% | 6.6% | 7.5% | 8.5% | 8.8% | 10.2% | 9.8% | 11.5% | 11.1% | 100%  |
| Outdoor Lighting | 8.3% | 8.3% | 8.4% | 8.4% | 8.3% | 8.3% | 8.3% | 8.4% | 8.4%  | 8.4% | 8.4%  | 8.3%  | 100%  |

FY 10-11 and FY 11-12 HISTORICAL DATA  
Kwh SALES AND BILLING REVENUE

| Billed Revenue                    | Oct       | Nov       | Dec       | RATE INCREASE | Feb       | Mar       | Apr       | May       | Jun       | Jul       | Aug       | Sep       | TOTAL      |
|-----------------------------------|-----------|-----------|-----------|---------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
|                                   | 11        | 11        | 11        | Jan 12        | 12        | 12        | 12        | 12        | 12        | 12        | 12        | 12        |            |
| Residential                       | 3,673,025 | 2,873,675 | 2,900,833 | 3,547,233     | 3,106,889 | 3,159,794 | 3,602,996 | 3,310,380 | 4,132,243 | 4,303,221 | 4,508,666 | 4,487,868 | 43,606,823 |
| Commercial                        | 3,323,961 | 2,983,209 | 2,994,898 | 3,113,303     | 2,943,781 | 3,084,947 | 3,360,828 | 3,223,520 | 3,636,458 | 3,639,553 | 3,705,445 | 3,776,499 | 39,786,403 |
| Industrial                        | 146,462   | 121,454   | 114,407   | 63,092        | 120,238   | 124,985   | 140,368   | 131,720   | 154,107   | 143,916   | 173,307   | 160,178   | 1,594,234  |
| Subtotal                          | 7,143,448 | 5,978,338 | 6,010,139 | 6,723,628     | 6,170,908 | 6,369,726 | 7,104,192 | 6,665,620 | 7,922,808 | 8,086,690 | 8,387,418 | 8,424,545 | 84,987,460 |
| Outdoor Lighting                  | 82,822    | 83,382    | 83,273    | 83,445        | 83,614    | 83,143    | 83,471    | 83,667    | 83574     | 83574     | 83601     | 83573.12  | 1,001,139  |
| TOTAL                             | 7,226,270 | 6,061,720 | 6,093,412 | 6,807,073     | 6,254,522 | 6,452,868 | 7,187,664 | 6,749,287 | 8,006,382 | 8,170,264 | 8,471,019 | 8,508,118 | 85,988,599 |
| Bulk Power Cost Included in Total | 3,719,233 | 3,045,726 | 3,124,076 | 3,699,075     | 3,366,994 | 3,480,489 | 3,890,710 | 3,645,316 | 4,335,923 | 4,420,071 | 4,585,535 | 4,584,289 | 45,897,437 |

Electric Utility kWh Sales

