



**MEETING DATE:** August 29, 2023

**ITEM NUMBER:** 6.C

**SECOND READING:**

**TYPE OF ITEM:**

**PRESENTED BY:**

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**SUBJECT/AGENDA TITLE**

Electric Rate Study

**EXECUTIVE SUMMARY:**

This communication provides information on the current state of the Electric Utility finances as well as proposed updates to electric rates and the electric rebate as part of the Longmont CARES rebate program.

**COUNCIL OPTIONS:**

**Rates**

1. Update the Electric Utility rates for a two-year schedule as proposed by staff
2. Do not update the current Electric Utility rates

**Longmont CARES**

1. Update the electric rebate amount for Longmont CARES for a two-year schedule as proposed by staff
2. Do not update the electric rebate amount for Longmont CARES

**RECOMMENDED OPTIONS:**

Option 1 for Rates: Update the Electric Utility rates as proposed by staff; and,

Option 1 for Longmont CARES: Update the electric rebate amount for Longmont CARES for a two-year schedule as proposed by staff

**FISCAL IMPACT & FUND SOURCE FOR RECOMMENDED ACTION:**

Electric rates are the primary funding source for the electric fund.

## **BACKGROUND AND ISSUE ANALYSIS:**

### *Electric Cost of Service*

Operating and capital expenses developed during the recent budget process have been entered into the cost-of-service model and are used to determine the revenue requirements for the Electric Utility. The costs were then unbundled by function: power supply, distribution, and customer related. The final step was to allocate the unbundled costs to the various customer classes. The methodology utilized for cost of service follows current industry practices.

### *2024-2025 Revenue Requirement*

Several factors contribute to an increased revenue requirement in 2024 and 2025. A comparative review of the revenue generated at current Electric Utility rates versus the projected revenue needs necessitated an update of the Electric Utility rates.

First, in order to meet renewable energy goals through building new infrastructure, Platte River Power Authority (PRPA) has proposed a 5% increase per year (2024-2025) in the cost of wholesale power. The impact of PRPA's rate increases amounts to wholesale energy expense increases of \$3.3M in 2024 and \$4.1M in 2025.

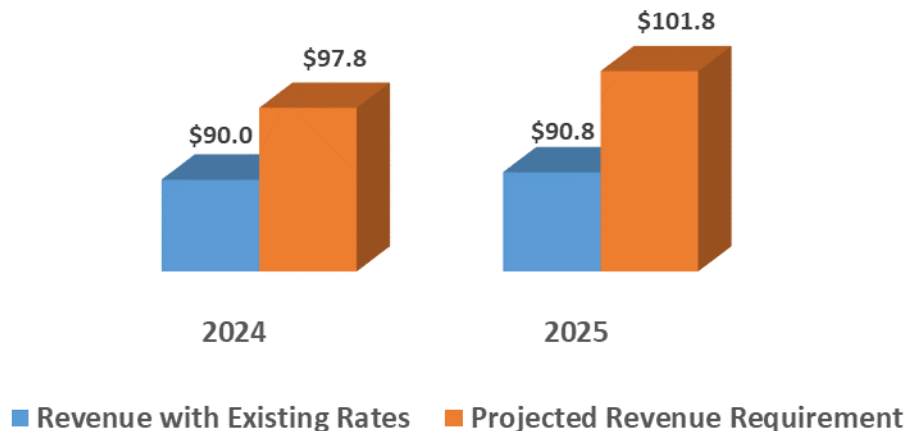
Second, largely due to inflation, the City has incurred higher contractor, labor, equipment, and material expenses. As a result, operating expenses (excluding wholesale energy) are projected to increase \$2.3M in 2024 and \$1.1M in 2025.

The third component contributing to the increased revenue need is additional funding associated with Capital Improvement Program (CIP) projects. CIP project expenses are anticipated to increase by \$2M in 2024 and \$862K in 2025. The additional funding is required to cover increased costs due to inflation as mentioned above, and to fund an increase in the proactive replacement of aging infrastructure, such as distribution lines and substation transformers.

At current Electric Utility rates, the City will not meet these increased demands. In 2024, the revenue requirement is projected to be \$97.8M while the forecasted revenue is only \$90M. Similarly, the forecasted revenue for 2025 is \$90.8M while the revenue needed is \$101.8M.

## Projected Revenue Requirement Comparison

Amount in Millions (\$)



### Rate Setting

Electric rates are generally composed of two or three components specifically tailored to each rate class: a monthly service charge, an energy usage charge based on the kilowatt hours (kWh) consumed, and for some rate classes, a charge based on customer maximum demand in kilowatts (kW).

In order to generate sufficient revenue to cover the increased need in 2024 and 2025, the Electric Utility is proposing a two-year rate schedule with increases each year. The monthly service charge will be unchanged while the energy usage and demand charges will be adjusted. Therefore, Longmont Power & Communications (LPC) customers will have more control over the actual increase in their monthly electric bill. The less energy a customer uses, the lower the impact they will experience as the fixed portion of their bill will remain unchanged from the current rate.

The cost of service study has led staff to propose a 6.8% increase in rates each year. Over the rate schedule period, the total revenue generated matches the total revenue requirement but smooths or lessens the impact of significant rate increases in the first year and not the next.

The proposed rate increases for each customer class for the 2024-2025 rate schedule are as follows:



Customer Class	Estimated Average Monthly Bill Increases	
	2024	2025
Residential Energy (RE)	\$5.16	\$5.62
Residential Demand (RD)	\$16.29	\$17.16
Residential Self-Generation (RGEN)	\$3.21	\$3.54
Commercial - Energy	\$11.68	\$12.60
Commercial - Demand	\$321.18	\$342.94
Commercial - Coincident	\$3,690.47	\$3,927.06

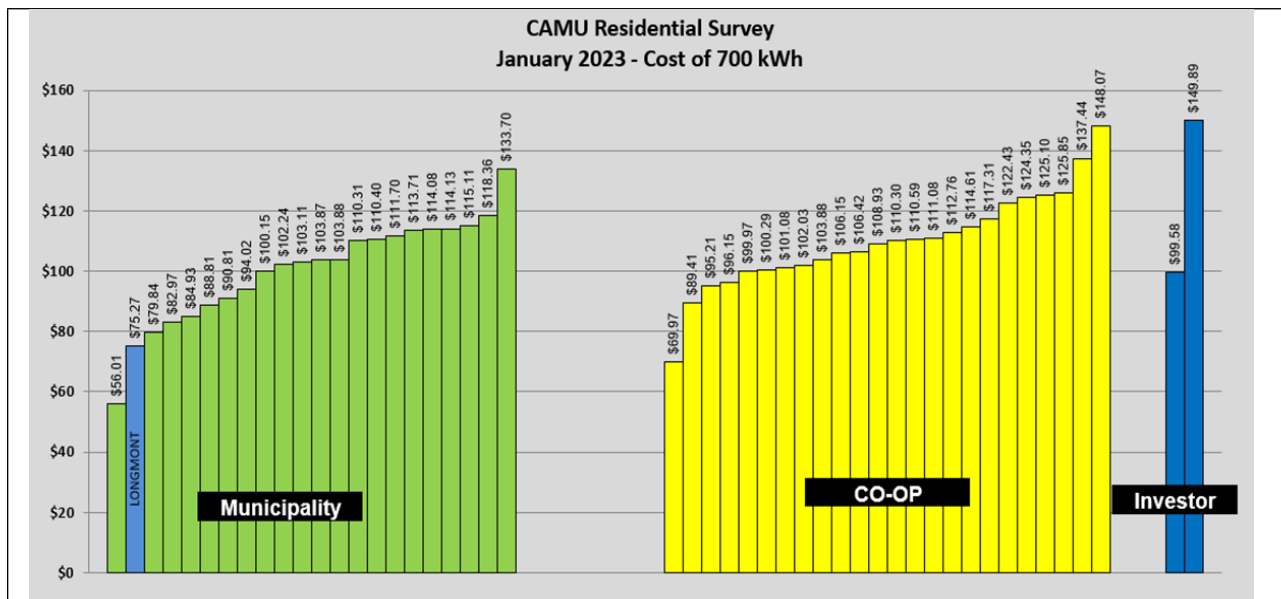
## Typical Residential Utility Bill

A typical residential utility bill includes charges for electric, water, wastewater, storm drainage, waste services, and a park & greenway maintenance fee. The average use and charges for 2024 are shown in the table below:

Service	Average Monthly Use	2023 Average Charge	2024 Average Charge
Electric	700 kWh	\$77.25	\$82.41
Water	9,000 gallons	\$51.93	\$54.05
Wastewater	5,000 gallons	\$42.95	\$46.60
Storm Drainage	N/A	\$16.70	\$18.85
Waste – Waste Management	N/A	\$2.96	\$2.96
Waste – Trash Removal	96-gallon weekly trash & biweekly recycle collection	\$24.00	\$24.00
Parks & Greenway	N/A	\$2.00	\$2.00
<b>Total</b>		<b>\$217.79</b>	<b>\$230.87</b>

## Colorado Association of Municipal Utilities – 2023 Rate Survey

Longmont residents enjoy the 3<sup>rd</sup> lowest electric rates in the State of Colorado (out of the 57 utilities surveyed in January 2023). The following graph shows residential rates reported by electric utilities throughout the state.



## Ongoing Opportunities for Assistance

In March 2019, City Council adopted an ordinance modifying chapter 4.08 of the Municipal Code on rebate programs for income-qualified residents. As a result, the Longmont CARES (City Assistance and Rebate System) program was established, combining a new rebate of sales tax with existing rebate programs for property tax/rent, electric rates, water rates, and the park and greenway maintenance fee.

Program Year	Monthly Rebate per Participant	Electric Fund Community Contribution
2023	\$10.50	\$226,800
2024 - Proposed	\$15.50	\$334,800
2025 - Proposed	\$20.75	\$448,200

In addition to this City program, several partner agencies are able to provide assistance each year for utility payments, including federal assistance for heating costs through LEAP (Low-income Energy Assistance Program), or crisis assistance through the OUR Center. A full list of assistance agencies is available at

<https://www.longmontcolorado.gov/departments/departments-n-z/utilities/assistance-agencies>.

The City also makes significant investments in electric and water efficiency programs, which help control bills and support environmental sustainability goals. Efficiency programs can be

viewed at <https://www.longmontcolorado.gov/departments/departments-n-z/utilities/efficiency-resources>.

## *Anticipated Schedule for Rate Adoption*

Staff recommends rate changes for 2024 and 2025 with the first reading of ordinances on Sept. 12 and second reading on Oct. 24. This two-year rate schedule allows staff to gather AMI data for analysis for future rate studies.

Information on self-generation rates and interconnection standards will be presented to council in early 2024.

Topic	Approximate Timing	Council Action
Proposed Rates & Fees	Aug. 29	Direction to prepare ordinances
Rate Ordinances (1 <sup>st</sup> Reading)	Sept. 12	Council Approval
Rate Ordinances (2 <sup>nd</sup> Reading)	Oct. 24	Council Approval

## *Opportunities for Community Engagement*

There are a number of opportunities available to engage the public around utility bills. Several recent community events have highlighted the information in utility bills, as well as opportunities to save money. In September 2020, the Sustainable Business Program hosted a webinar for businesses on reading commercial utility bills, which included money-saving tips. A recording is available here: <https://youtu.be/kdPdN4FzXJY>. Additional resources for businesses can be accessed by signing up for the Sustainable Business Program, or by joining the mailing list.

Similarly, a March 10, 2021 webinar entitled "How to Read and Reduce Your Household Utility Bill" provided similar information for residential bills. A recording is available here: <https://youtu.be/e8R4G6VTjM4>.

The Sustainable Opportunities, Lifestyle, and Leadership (SOLL) program is a residential sustainability program that provides opportunities for interested community members to have water and energy-saving improvements completed in their homes by community volunteers, and to learn about sustainability best practices from their neighbors. Those interested in volunteering as a technician or signing up for an appointment can visit



<https://www.longmontcolorado.gov/departments/departments-a-d/community-and-neighborhood-resources/neighborhood-programs/sustainable-opportunities-lifestyles-and-leadership>.

The City has also routinely put out items related to energy efficiency, utility bills and opportunities to save through newsletters, such as City Line and Power Outlet, newspaper items in the Times-Call, social media, the LPC "More Power to You" blog, items on the City website, and other information channels.

Staff is available to provide information on cost-of-service rate studies to community groups on request.

**ATTACHMENTS:**

None