



ST. CHARLES
SINCE 1834

AGENDA ITEM EXECUTIVE SUMMARY

Title:	Recommendation to approve an Ordinance Authorizing Power Cost Adjustment as part of the electric rate structure
Presenter:	Tom Bruhl

Please check appropriate box:

	Government Operations	<input checked="" type="checkbox"/>	Government Services 04.22.13
	Planning & Development		City Council
	Public Hearing		

Estimated Cost:	\$ N/A	Budgeted:	YES	<input checked="" type="checkbox"/>	NO	
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If NO, please explain how item will be funded:

Executive Summary:

The Electric Utility and the Finance Department will make a presentation regarding the application of a Power Cost Adjustment (PCA) to electric rates.

The PCA is a mechanism to pass through the variable cost of power, whether it is higher or lower than budgeted on utility bills. Through this adjustment, the cost of power will be fairly apportioned to our consumers. There is no financial gain or loss to the City from implementing the PCA. It is a mechanism for risk transfer should power costs exceed estimates, but will also create credits for customers when power costs are less than budgeted.

PCA's are currently in use in the cities of Batavia and Geneva.

Attachments: *(please list)*

Ordinance

Recommendation / Suggested Action *(briefly explain):*

Recommendation to approve an Ordinance authorizing Power Cost Adjustment as part of the electric rate structure.

For office use only:

Agenda Item Number: 6.a

City of St. Charles, Illinois
Ordinance No. _____

**An Ordinance Amending Title 13 “Public Utilities” Chapter 13.08
“Electricity” of the St. Charles Municipal Code**

NOW, THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF
ST. CHARLES, KANE AND DUPAGE COUNTIES, ILLINOIS, AS FOLLOWS:

1. That Title 13 “Public Utilities”, Chapter 13.08 "Electricity," Section 13.08.298 "Power Cost Adjustment" be hereby added to the St. Charles Municipal Code as follows:

13.08.298 Power Cost Adjustment.

- A. Applicability – all rates.
- B. Definition. A Power Cost Adjustment (PCA) will be applied to energy consumption to account for fluctuations in the cost of power. PCA values can be positive or negative and will be applied on a monthly basis to all KWH consumption, adjusted quarterly, using the following formula:
 - 1. Quarterly estimated power cost will be subtracted from estimated revenue from sales to create a target quarterly income number.
 - 2. Quarterly actual power cost will be subtracted from actual revenue from sales to create an actual income number.
 - 3. The actual income will be subtracted from the target to create a quarterly income delta number.
 - 4. The quarterly income delta will be divided by the estimated KWH consumption for the next quarter to create a \$/KWH number that will be the PCA for the following quarter.
 - 5. The goal of the PCA is to create additional revenues, or issue billing credits, that are equal to the previous quarterly income delta. Differences between the previous quarter income delta and the actual revenue or billing credit that the PCA creates, will be added into the future quarterly PCA.
 - 6. Formula:

$$\begin{aligned} \text{Estimated Revenue} - \text{Estimated Power Cost} &= \text{Target Income} \\ \text{Actual Revenue} - \text{Actual Power Cost} &= \text{Actual Income} \\ (\text{Target Income} - \text{Actual Income}) / (\text{Estimated Future Consumption}) &= \text{PCA} \end{aligned}$$

7. That the PCA shall be increased by an additional 5% if electrical service is provided to a service address outside the corporate limits of the City of St Charles unless the customer has an electric service agreement with the City that was in existence prior to May 6, 2013 that provides for a different additional charge.”

2. That this Ordinance shall be in full force and effect ten (10) days from and after its passage, approval and publication in pamphlet form as provided by law; provided, however, that the rates set forth herein shall be effective for the first billing subsequent to October 1, 2013.

3. That after the adoption and approval hereof this Ordinance shall (i) be printed or published in book or pamphlet form, published by the authority of the Council, or (ii) within thirty (30) days after the adoption and approval hereof, be published in a newspaper published in and with a general circulation within the City of St. Charles.

PRESENTED to the City Council of the City of St. Charles, Kane and DuPage Counties, Illinois, this ____ day of _____, 2013.

PASSED by the City Council of the City of St. Charles, Kane and DuPage Counties, Illinois, this ____ day of _____, 2013.

APPROVED by the Mayor of the City of St. Charles, Kane and DuPage Counties, Illinois, this ____ day of _____, 2013.

Donald P. DeWitte, Mayor

ATTEST:

Nancy Garrison, City Clerk

COUNCIL VOTE:

Ayes: _____

Nays: _____

Absent: _____

APPROVED AS TO FORM:

City Attorney

DATE: _____