

December 16, 2014

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: City of Sherrill – Increase in Retail Rates –
Notice of Adoption**

SUMMARY

The Board of the City of Sherrill (“City Board”) has requested the Trustees to approve revisions to the City of Sherrill’s (“City”) retail rates for each customer service classification. These revisions will result in additional total annual revenues of about \$402,029, or 16.3 percent.

BACKGROUND

The City Board has requested the proposed rate increase primarily to provide additional revenues to allow for sufficient working funds, to meet forecasted increases in operation and maintenance expenses and additional debt payment requirements, and to address revenue loss resulting from a decline in sales. The current rates have been in effect since February 2008. Because the City is a full requirements customer of the Authority, its retail rates are subject to Authority oversight in accordance with sections 1005(5)(g) and 1005(6)(d) of the New York Public Authorities Law.

The City Board has planned upgrades to the electric system amounting to \$242,000 in order to provide reliable service to its customers. The upgrades will be directed primarily at substation distribution equipment, distribution line and purchase of a bucket truck. The City is planning to debt-finance its capital program by issuing a new bond.

Under the new rates, a residential customer who currently pays about 4.6 cents per kWh on average will pay about 5.3 cents after the increase. A small commercial class customer that currently pays an average of 4.6 cents per kWh will pay 5.3 cents, a large commercial customer that currently pays an average of 4.3 cents per kWh will pay 5.3 cents per kWh and an industrial customer that currently pays an average of 4.1 cents per kWh, will pay 4.6 cents after the increase.

DISCUSSION

The proposed rate revisions are based on a cost-of-service study requested by the City and prepared by Authority staff. A public hearing was held by the City on August 18, 2014. No ratepayer comments were received at the public hearing. The City Board has requested that the proposed rates be approved.

Pursuant to the approved procedures, the Senior Vice President – Economic Development and Energy Efficiency requested that the Corporate Secretary file a notice for publication in the *New York State Register* of the City’s proposed revision in retail rates. Such notice was published on October 1, 2014. No comments concerning the proposed action have been received by the Authority’s Corporate Secretary.

An expense and revenue summary, comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits “A,” “B” and “C,” respectively. Rates were designed to encourage conservation by the largest users of power.

RECOMMENDATION

The Vice President – Market Analysis and Administration recommends that the attached schedule of rates for the City of Sherrill be approved as requested by the Board of the City of Sherrill to take effect beginning with the first full billing period following the date this resolution is adopted.

It is also recommended that the Trustees authorize the Corporate Secretary to file a notice of adoption with the Secretary of State for publication in the *New York State Register* and to file such other notice as may be required by statute or regulation.

For the reasons stated above, I recommend the approval of the above-requested action by adoption of the resolution below.

Gil C. Quiniones
President and Chief Executive Officer

RESOLUTION

RESOLVED, That the proposed rates for electric service for the City of Sherrill, as requested by the City Board, be approved, to take effect with the first full billing period following this date, as recommended in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, authorized to file a notice of adoption with the Secretary of State for publication in the *New York State Register* and to file any other notice required by statute or regulation; and be it further

RESOLVED, That the Chairman, the Vice Chair, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.

City of Sherrill
Expense and Revenue Summary

	<u>Five-Year Average</u>	<u>Proposed¹</u>
Purchase Power Expense (NYPA hydro and incremental)	\$ 1,734,896	\$ 1,815,547
Distribution Expense (City-owned facilities)	348,532	337,153
Depreciation Expense (On all capital facilities and equipment)	140,102	166,136
General and Administrative Expenses (Salaries, insurance, management services and Administrative expenses)	<u>513,394</u>	<u>470,006</u>
Total Operating Expenses	2,736,924	2,789,021
Net Rate of Return – (average five years - 0%, proposed – 6.8%) (includes debt service on current and planned debt, cash reserves and contingencies)	<u>-0-</u>	<u>107,433</u>
Total Cost of Service	\$ 2,736,924	\$ 2,896,454
Rate Revenue at Present Rates		<u>2,472,250</u>
Rents from Electric Property		22,175
Deficiency at Current Rates		402,029
Revenue at Proposed Rates		\$ 2,874,279
Increase % at Proposed Rates		16.3%

¹Based on five years of historical and projected data.

City of Sherrill
Comparison of Present and Proposed Annual Total Revenues

<u>SERVICE CLASSIFICATION</u>	<u>PRESENT REVENUE</u>	<u>PROPOSED REVENUE</u>	<u>% INCREASE</u>
Residential – SC1	\$ 1,109,991	\$ 1,280,896	15.4%
Small Commercial – SC2	140,580	162,225	15.4%
Large Commercial - SC3	252,420	313,774	24.3%
Security Lights – SC4	23,526	48,526	106.3%
Industrial – SC5	<u>945,733</u>	<u>1,068,858</u>	13.0%
Total	<u>\$2,472,250</u>	<u>\$2,874,279</u>	16.3%

City of Sherrill
Comparison of Present and Proposed Net Monthly Rates

<u>Present ¹ Rates</u>		<u>Proposed ¹ Rates</u>
	<u>Residential SC 1</u>	
\$ 5.05	Customer Charge	\$ 10.10
	<u>Energy Charge, per kWh.</u>	
\$.0408	First 1,750 kWh.	\$.0473
\$.0501	Over 1,750 kWh.	\$.0580
	<u>Small Commercial SC 2</u>	
\$ 6.50	Customer Charge	\$ 13.00
\$.0425	Energy Charge, per kWh.	\$.0489
	<u>Large Commercial SC 3</u>	
\$ 3.75	Demand Charge, per KW	\$ 4.82
\$.0301	Energy Charge, per kWh.	\$.0377

¹ Average annual purchased power adjustment (PPA) reflected in present and proposed rates.

City of Sherrill
Comparison of Present and Proposed Net Monthly Rates

<u>Present ¹</u> <u>Rates</u>		<u>Proposed ¹</u> <u>Rates</u>
<u>Security Lights SC 4</u>		
Per month, per unit of:		
\$ 4.95	70 Watts - High Pressure Sodium	\$ 4.80
\$ 4.95	100 Watts - High Pressure Sodium	\$ 6.87
\$ 7.09	150 Watts - High Pressure Sodium	\$ 10.26
\$ 10.23	250 Watts - High Pressure Sodium	\$ 17.12
\$ 9.37	400 Watts - High Pressure Sodium	\$ 27.38
\$ 21.15	1000 Watts - High Pressure Sodium	\$ 68.59
\$ 4.95	100 Watts – Mercury Vapor	\$ 6.87
\$ 3.82	175 Watts – Mercury Vapor	\$ 12.04
\$ 16.19	200 Watts – Mercury Vapor	\$ 13.74
\$ 13.51	1000 Watts – Mercury Vapor	\$ 68.59
N/A	70 Watts – Metal Halide	\$ 4.80
N/A	100 Watts – Metal Halide	\$ 6.87
N/A	175 Watts – Metal Halide	\$ 12.04
N/A	250 Watts – Metal Halide	\$ 17.12
\$ 12.41	400 Watts – Metal Halide	\$ 27.38
\$ 13.51	1000 Watts – Metal Halide	\$ 68.59

¹ Average annual purchased power adjustment (PPA) reflected in present and proposed rates.

City of Sherrill
Comparison of Present and Proposed Net Monthly Rates

<u>Present</u> ¹ <u>Rates</u>		<u>Proposed</u> ¹ <u>Rates</u>
	<u>Industrial SC 5</u>	
\$ 3.75	Demand Charge, per KW	\$ 4.82
\$.0271	Energy Charge, per kWh.	\$.0339

¹ Average annual purchased power adjustment (PPA) reflected in present and proposed rates.