



Legislation Text

File #: 17-677, Version: 2

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Pass the Ordinance amending Title 8 (Public Utilities), Chapter 1 (Electricity), Article C (Electric Service Rates), Section 4 (Schedule of Rates), of the Municipal Code to allow for Primary and Transmission Standby Rates.

DEPARTMENT: Electric Utility

SUBMITTED BY: Mark Curran, Electric Utility Director

BOARD/COMMISSION REVIEW:

Public Utilities Advisory Board (PUAB) recommends approval of Primary and Transmission Standby Rates. On September 5, 2017, City Council conducted the first reading of an ordinance allowing for Primary and Transmission Standby Rates.

BACKGROUND:

Nalco and BP are the only customers within the city that have cogeneration facilities on their respective campuses. Both facilities are Qualifying Facilities as defined in the federal Public Utility Regulatory Policies Act (PURPA) of 1978 and the Energy Policy Act of 2005. The legislation was passed to promote increased efficiency in the utilization of energy resources and authorized non-utility entities to enter the business of generating electricity. The thermal energy from the cogeneration plant is used for building heating and to drive chiller equipment. The city has been required to purchase electric energy generated above that required for the two facilities. Nalco has a 5MW facility served by a 12.47kV dedicated utility feeder line and is on Flat Primary Metering Rates, and BP has a 9MW facility that is served by two 34.5kV dedicated lines and is on Flat Transmission Metering Rates. The existing rate structure only allows collection of revenue when the customer is receiving energy from the utility.

DISCUSSION:

The current rates for both Nalco and BP are referred to as “flat” rates because each kilowatt-hour (kWh) of energy is charged at the same price no matter when it is used. The rates also include a kilowatt (KW) demand charge based on their peak usage when receiving power from the utility regardless of the time-of-day when the peak occurred. Demand charges cover the costs of having equipment available with enough capacity to meet the highest energy requirements of the customer any time during the billing period.

The Electric Utility’s rate consultant developed a Standby Capacity Charge to be used by the utility to recover costs incurred to have capacity available to meet peak demand of each cogeneration customer when needed. Proposed rates will have the customer paying a monthly standby charge based on a rolling 3-year average of peak usage from the utility. Demand charges will only be

assessed if the customer receives power coincident with the utility's monthly peak billing demand with the Illinois Municipal Electric Agency (IMEA). The customer will pay at the wholesale demand rate from IMEA plus the utility's losses on units purchased. The customer will pay for all energy received from the utility at the wholesale rate from IMEA plus utility's losses on units purchased. Nalco and BP are critical business customers for the city, and the proposed rates are a win for both the utility and them. The utility will collect revenue to have capacity available and provide energy to the customer when needed. The customer will only pay a demand charge when receiving power coincident with the utility's peak billing demand with the IMEA and will pay for all energy received from the utility. The new rate structure will provide more budget certainty for the customer.

FISCAL IMPACT:

The standby rates are cost-of-service based and designed to allow the Electric Utility to recover costs to provide service to customers.