



Legislation Text

File #: 18-868, **Version:** 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Conduct the first reading of an ordinance amending Article C (Electric Service Rates) of Chapter 1 (Electricity) of Title 8 (Public Utilities) of the Municipal Code.

DEPARTMENT: Electric Utility

SUBMITTED BY: Mark Curran - Electric Director

BOARD/COMMISSION REVIEW:

On September 20, 2018, the Public Utility Advisory Board unanimously approved staff's recommendation on rates, realignment of the Purchased Power Adjustment base, early payoff of the Water Utility loan, and increased capital.

BACKGROUND:

Naperville's Electric Utility provides high-quality, reliable electric service to more than 57,000 customers. Over the last 50 years, the utility has purchased power through a variety of sources, including ComEd, J. Aron/Goldman Sachs and currently through an agreement with the Illinois Municipal Electric Agency (IMEA).

Presently, the Electric Utility's cash balance has followed very closely with the 2015 rate study design throughout the years and is expected to be at \$25.2 million at the end of 2018. The Electric Utility is in the third and last year of the 2015 rate study. In preparation for the next three years, the Electric Utility contracted with Utility Financial Solutions (UFS) to perform its current rate study providing a financial plan for the Electric Utility through 2021.

DISCUSSION:

As presented in the 2018 Electric Rate Study report to Council on October 2, 2018, the Electric Utility has developed the following recommendations for the next three years. Many factors influenced their development, including compliance with City financial policies, limiting debt, fully funding capital through rates, the appropriate level of capital funding to ensure high reliability, and competitiveness in the residential and commercial marketplace. Staff is requesting approval from Council of the following recommendations:

1. A decrease in rates by 2% per year for the next three years for all rate classes,
2. Move the PPA base from \$83.00 to \$85.51/MWh,
3. Pay off the Water Utility loan in 2018, and
4. Increase capital spending by \$2 million to a total of \$14 million per year for the next three years (2019-2021).

With the implementation of the above recommendations, the Electric Utility's projected cash balance at the end of the rate study is \$30.3 million. The analysis completed through the 2018 rate study recommends a minimum reserve requirement of \$30 million, with a PPA in place. The Electric Utility is projected to be at this reserve level at the end of 2021 with these proposed recommendations. It should be noted that the Financial Advisory Board is reviewing cash reserve levels across all funds and will have recommendations available in 2019 for City Council consideration.

Staff continuously monitors legislation on all levels understanding that new legislative mandates may have an impact on future purchase power cost. Any new legislative mandates that may impact purchase power cost will be analyzed, and the PUAB and City Council will be informed of any recommended adjustments that may be required.

The utility will work with the City's Communications Division to appropriately communicate these actions to customers.

FISCAL IMPACT:

Rate adjustments of -2% on January 1, 2019; -2% on January 1, 2020; and -2% January 1, 2021 across all rate classes.