



General Manager
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TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Karl R. Amylon, General Manager

DATE: February 5, 2021

RE: **Ordinance No. 21-1924 – Increasing Electric Rates By One and One-Half Percent (1.5%); Establishing A Date For A Public Hearing; And Providing For An Effective Date**

In adopting the 2021 Ketchikan Public Utilities Operating and Capital Budget, the City Council approved appropriations for the Electric Division based on a one and one-half percent increase in electric rates. The attached ordinance was approved in first reading at the City Council meeting of February 4, 2021. If adopted in second reading, Ordinance No. 21-1924 provides for increasing electric rates by one and one-half percent effective June 1, 2021.

The net effect of the rate increase is detailed in the Finance Director's transmittal memorandum and requires little elaboration on the part of my office. Failure to enact the proposed increases will result either in a need to reduce authorized 2021 Electric Division expenditures by \$146,000 or to decrease Appropriated Reserves of the KPU Enterprise Fund by an equivalent amount. I concur with Ms. Johansen's recommendation.

Also attached for City Council reference is a copy of my office's January 15, 2021 report regarding utility rate increases that was prepared at the request of Councilmember Flora. The City Council should note that the table reflecting Electric Division budgeted, existing and proposed staffing has been slightly revised to correct inadvertent errors in the original version.

Prior to consideration of Ordinance No. 21-1924 in second reading, a public hearing is required. The City Clerk's Office has scheduled the public hearing for the beginning of the City Council meeting of February 18, 2021. Following the public hearing, the City Council may consider the ordinance.

The Electric Division Manager and Finance Director will attend the City Council meeting of February 18, 2021, in order to address any questions and/or concerns that Councilmembers may have.

A motion has been prepared for City Council consideration.

RECOMMENDATION

It is recommended that the City Council adopt the motion approving in second reading Ordinance No. 21-1924 increasing electric rates by one and one-half percent (1.5%); establishing a date for a public hearing; and providing for an effective date.

Recommended Motion: I move the City Council approve in second reading Ordinance No. 21-1924 increasing electric rates by one and one-half percent (1.5%); establishing a date for a public hearing; and providing for an effective date.

"UNAPPROVED" February 4, 2021

Ordinance No. 21-1927 – Declaring an Emergency Due to the Continuing COVID-19 Pandemic; Extending Emergency Ordinance No. 20-1907 Until July 1, 2021

Copies of Ordinance No. 21-1927 were available.

Moved by Bradberry, seconded by Kiffer the City Council approve Ordinance No. 21-1927 declaring an emergency due to the continuing COVID-19 pandemic; extending Emergency Ordinance No. 20-1907 until July 1, 2021; and establishing an effective date.

Motion passed with Bergeron, Flora, Gass, Gage, Kiffer, Zenge and Bradberry voting yea.

Ordinance No. 21-1926 – Amending Chapter 13.10 of the Ketchikan Municipal Code, Entitled “Passenger Wharfage Fees”; to Impose such Fees Directly on Passengers and to Provide for the Collection, Payment and Enforcement of Such Fees – First Reading

Copies of Ordinance No. 21-1926 were available.

Moved by Kiffer, seconded by Flora the City Council defer consideration of Ordinance No. 21-1926 to a special meeting after staff has consulted with the cruise industry and other Southeast communities.

Manager Amylon informed that our outside Attorney Blascoe has been working on this ordinance.

Motion to defer passed with Zenge, Flora, Bergeron, Kiffer, Bradberry, Gage and Gass voting yea.

Ordinance No. 21-1928 – Tourism Steering Committee for the Mayor and Council – First Reading

Copies of Ordinance No. 21-1928 were available.

Moved by Kiffer, seconded by Gage the City Council defer consideration of Ordinance No. 21-1928 to a special meeting.

Motion to defer passed with Gass, Zenge, Bradberry, Flora, Bergeron, Kiffer and Gage voting yea.

Ordinance No. 21-1924 – Increasing Electric Rates By One and One-Half Percent (1.5%); Establishing a Date for a Public Hearing – First Reading

Copies of Ordinance No. 21-1924 were available.

Moved by Gage, seconded by Flora the City Council approve in first reading Ordinance No. 21-1924 increasing electric rates by one and one-half percent (1.5%); establishing a date for a public hearing; and providing for an effective date.

Councilmember Gage felt this has been a long time coming and unfortunately, it couldn't be at a worst time. She said this utility has continued to operate in the red, and she would support this motion.

Councilmember Bergeron said he would not support a rate increase in the middle of a pandemic, and felt it was unethical.

"UNAPPROVED" February 4, 2021

Mayor Sivertsen reiterated the fact that Southeast Alaska Power Agency (SEAPA) is increasing the rate they charge us. He said as we heard from Representative Ortiz the State is working in a deficit spending, and this is a trend they cannot continue to do. He agrees this is a difficult decision the Council has to make, but we have a responsibility to operate a utility in a manner that in the long term benefits this community. He stated Ketchikan has one of the lowest rates in the State.

Councilmember Bergeron strongly disagreed that SEAPA needs to come to the ratepayers to deal with this. He felt SEAPA'S finances are well within their capabilities to be able to pay for this.

Councilmember Gass agreed this is incredibly unfortunate that our ratepayers have to pay for something out side of Petersburg. He stated that in the future, as our economic situation rebounds we need to be looking ahead where we can do more on our own and be less dependent on SEAPA.

Mayor Sivertsen said we don't generate enough power in KPU to power our needs. He said the reality is Swan Lake provides wholesale power to Ketchikan. He said when SEAPA was formed the four dam pool was created and all three communities signed an agreement to fund and buy power from SEAPA.

In answer to Councilmember Gass, Councilmember Flora said we can develop more hydro projects, but we will pay for them with current year dollars, and you can never build a project to run at the cost we have with SEAPA. He thanked the Manager and his staff for putting together 38 pages of data he had asked for. He encouraged folks to take the time to read this. He cited the data for the last ten years and the average rate increase is 1.23%. He stated we have almost \$14 million in revenue bonds on the electric division, and electric capital projects of almost \$29 million. He said he disagreed with Councilmember Bergeron's comments, as this not unethical as these are data driven decisions that needs to be made. He said everyone will vote on what they think is best, but we have to look at what is best for the community. He informed the average increase to the electric rate consumer is \$3.20 per month.

Motion passed with Gass, Kiffer, Gage, Zenge and Flora voting yea; Bergeron and Bradberry voting nay.

Ordinance No. 21-1923 – Increasing Water Rates by Five Percent (5.0%) – First Reading

Copies of Ordinance No. 21-1923 were available.

Moved by Flora, seconded by Zenge the City Council approve in first reading Ordinance No. 21-1923 increasing water rates by five percent (5.0%); establishing a date for a public hearing; and providing for an effective date.

Councilmember Flora said again let's look at the math from the report staff put together. He cited from the residential side over the last ten years the average increase was 6%. He informed Alaska inflation averaged 1.64%. He said he would like to hear from the Water Division to get a better understanding why this division cannot get to revenue neutral.

Manager Amylon indicated Council should look at the ten year operating profit and loss statement of the three divisions. In that ten-year period the Water Division hasn't turned a profit in one year. He said basically the rates haven't been raised to meet the cost to produce water and the federal mandates that are imposed. He indicated the ADEC low interest loans were taken out to cover the cost of many water mains that were replaced, and we have to pay those loans back. He said the

MEMORANDUM
CITY OF KETCHIKAN, ALASKA
Finance Department
Office of the Finance Director

Michelle Johansen, Finance Director
Camille Nelson, Financial Analyst
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TO: Karl R. Amylon, City Manager/KPU General Manager

FROM: Michelle Johansen, Finance Director

DATE: January 11, 2021

SUBJECT: Ordinance No. 21-1924, Increasing Electric Rates by One and One-half Percent (1.5%); Establishing a Date for a Public Hearing; and Providing for an Effective Date.

The adopted 2021 KPU Operating and Capital Budget included a proposal to raise electric utility rates for all customers by 1.5%, effective June 1, 2021. Ordinance No. 21-1924 has been prepared to amend Chapter 11.08 of the Ketchikan Municipal Code (KMC) to incorporate the proposed rate increases. If approved by the City Council, the rate increase will:

- Increase electric utility revenues by \$146,000 for the seven months ending December 31, 2021 and about \$240,000 annually thereafter.
- Increase the kWh charge for residential electricity from \$0.1093 per kWh to \$0.1109 per kWh. Based on average monthly residential electric consumption for 2020 of 1,000 kWh, the proposed rate increase will increase an average residential customer's monthly bill by \$1.60. In addition, the monthly customer service charge will increase from \$7.30 to \$7.40, or \$0.10. The total increase in the average monthly customer electric bill will be \$1.70 (\$1.60 + \$0.10).
- Offset the expected purchased power costs of \$146,000 due to an increase in the wholesale purchased power rate. SEAPA is expected to increase the purchased power rate effective June 1, 2021, from 6.8 to 7.05 cents per kWh.

Section 8-1 of the City Charter requires a public hearing on water rate increases. A public hearing will be scheduled for February 18, 2021.

Recommended Motion:

I move that the City Council pass Ordinance No. 21-1924 in first reading, increasing electric rates by one and one-half percent (1.5%); establishing a date for a public hearing; and providing for an effective date.

THE CITY OF KETCHIKAN, ALASKA

ORDINANCE NO. 21-1924

AN ORDINANCE OF THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA; INCREASING ELECTRICAL RATES BY ONE AND ONE-HALF PERCENT (1.5%); ESTABLISHING A DATE FOR PUBLIC HEARING; AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA, AS FOLLOWS:

Section 1: Amendment. Subsection (c) of Section 11.08.020 of the Ketchikan Municipal Code, entitled "Residential service—Schedule A." is hereby amended to read as follows:

- “Rates. The rates for schedule A are:
(1) Monthly customer service charge: ~~\$7.30~~7.40
(2) Per kWh charge: ~~\$0.10930~~0.1109”

Section 2: Amendment. Subsection (d) of Section 11.08.020 of the Ketchikan Municipal Code, entitled "Residential service—Schedule A." is hereby amended to read as follows:

“Service Connect Charge: The service connection charge is ~~\$86.00~~87.30 per customer.”

Section 3: Amendment. Subsection (c) of Section 11.08.030 of the Ketchikan Municipal Code, entitled "Harbor service—Schedule B." is hereby amended to read as follows:

- “Rates. The rates for schedule B are:
(1) Monthly customer service charge: ~~\$13.40~~13.60
(2) Per kWh charge: ~~\$0.10930~~0.1109”

Section 4: Amendment. Subsection (d) of Section 11.08.030 of the Ketchikan Municipal Code, entitled "Harbor service—Schedule B." is hereby amended to read as follows:

“Service Connect Charge: The service connection charge is ~~\$86.00~~87.30 per customer.”

Section 5: Amendment. Subsection (e) of Section 11.08.030 of the Ketchikan Municipal Code, entitled "Harbor service—Schedule B." is hereby amended to read as follows:

“Service Disconnect Charge: The service disconnection charge is ~~\$36.00~~36.50 per customer except for customers relinquishing boat stalls.”

Section 6: Amendment. Subsection (c) of Section 11.08.040 of the Ketchikan Municipal Code, entitled "Commercial General Service—Schedule C," are hereby amended to read as follows:

“Rates. The rates for schedule C are:

- (1) Monthly customer service charge: All customers will pay a customer charge of ~~\$41.40~~42.00 per month in April through September. No customer charge will be assessed in October through March.
- (2) Per kWh charge: ~~\$0.1024~~0.1039
- (3) Demand charge per kW of maximum demand per month: ~~\$3.323~~3.37 in excess of 25 kW”

Section 7: Amendment. Subsection (d) of Section 11.08.040 of the Ketchikan Municipal Code, entitled "Commercial General Service—Schedule C," are hereby amended to read as follows:

“Service Connect Charge: The service connection charge shall be the actual cost to the utility with a minimum charge of ~~\$86.00~~87.30.”

Section 8: Amendment. Subsection (g) of Section 11.08.040 of the Ketchikan Municipal Code, entitled "Commercial General Service—Schedule C," are hereby amended to read as follows:

“Public pay telephones will be subject to a fee to provide electrical lighting in telephone booths. The rate for Public Access Line Lighting is ~~\$37.17~~37.73 and is based on an average of 340 kW hours per year. The fee will be assessed to payphone providers at time of installation and thereafter on an annual basis in January for each year. In addition, public payphone providers shall pay all charges for maintenance, repair, replacement of lighting and other electrical maintenance for the payphone booth.”

Section 9: Amendment. Subsection (c) of Section 11.08.050 of the Ketchikan Municipal Code, entitled "Industrial Service—Schedule D," are hereby amended to read as follows:

“Rates. The rates for schedule D are:

- (1) Monthly customer service charge: ~~\$60.85~~61.75
- (2) Per kWh charge: ~~\$0.0949~~0.0963.
- (3) Demand charge per kW of maximum demand per month: ~~\$3.323~~3.37 in excess of 25 kW.”

Section 10: Amendment. Subsection (d) of Section 11.08.050 of the Ketchikan Municipal Code, entitled "Industrial Service—Schedule D," are hereby amended to read as follows:

“Service Connect Charge: The service connection charge shall be the actual cost to the utility with a minimum charge of ~~\$86.00~~87.30.”

Section 11: Amendment. Subsection (c) of Section 11.08.070 of the Ketchikan Municipal Code, entitled "Street or yard lighting service—Schedule F," are hereby amended to read as follows:

Rates. The rates for schedule F are:

Up to 100 watts	\$13.50 13.70
101 to 150 watts	19.00 19.30
151 to 250 watts	24.00 24.40
251 to 400 watts	34.50 32.00

Section 12: Public Hearing. Pursuant to § 8—1 of the City Charter, a public hearing on this ordinance will be held at 7 o'clock p.m. on _____ 2021 in the City Council Chambers, 334 Front Street, Ketchikan, Alaska.

Section 13: Effective Date. This ordinance shall become effective on June 1, 2021.

PASSED ON FIRST READING _____.

FINAL PASSAGE _____.

Robert Sivertsen, Mayor

ATTEST:

Kim Stanker
City Clerk

EFFECTIVE DATE			
ROLL CALL	YEA	NAY	ABSENT
ZENGE			
GASS			
FLORA			
BRADBERRY			
GAGE			
BERGERON			
KIFFER			
MAYOR			

February 18, 2021

UNFINISHED BUSINESS

Ordinance No. 21-1924 – Increasing Electric Rates By One and One-Half Percent (1.5%); Establishing a Date for a Public Hearing – Second Reading

Copies of Ordinance No. 21-1924 were available.

Moved by Flora, seconded by Gage the City Council approve in second reading Ordinance No. 21-1924 increasing electric rates by one and one-half percent (1.5%); establishing a date for a public hearing; and providing for an effective date.

Manager Amylon informed the increase would not be effective until June 1, 2021.

Councilmember Bergeron stated his concerns regarding this increase, and that he would not be in favor of any rate increase at this time due to the pandemic.

Mayor Sivertsen explained that four dams were built, and Tyee and Swan were part of that. He stated at some point it became a divestiture where Southeast Alaska Power Agency (SEAPA) was formed. He said all the communities are inter connected, and we all share in the cost of that operation. He informed the rate structure of 6.8 cents has been consistent for over 20 years.

Councilmember Bradberry questioned the amount of power on average that comes from the northern communities, and vice versus.

In answer to Councilmember Bradberry, Manager Amylon informed Ketchikan receives about 50% of its power supply from Tyee that is owned by SEAPA, depending on weather conditions he couldn't say how much Ketchikan sends north at any given period of time.

Councilmember Bradberry questioned how much Ketchikan supplies on average to other communities.

Electric Division Manager Donato indicated we don't typically supply power north from KPU. He informed we generate for our own use, which is 50 to 55 percent of our power requirement. He said we look to SEAPA for the rest. He indicated most of our power comes from Swan Lake and a small portion from Tyee.

Manager Amylon informed that by joining together with Petersburg, Wrangell and Ketchikan was done through the Joint Action Agency which is SEAPA today. He said there are assured risks and a lot of risk is taken off the immediate shoulders of the three purchasing communities. He felt there would be a lot more risk and expense if we were trying to fund and operate these project individually.

Councilmember Bradberry indicated she has an issue in supporting this rate increase. She said she understands this is a project that needs to be done, but felt they should look at our community as far as what have we given them extra this year. She said she was disappointed in SEAPA and how they have interacted with our community members in regards to this fee and the pandemic.

Motion passed with Zenge, Kiffer, Gage and Flora voting yea; Gass, Bradberry and Bergeron voting nay.