



## Legislation Details (With Text)

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**File created:** 8/5/2009      **In control:** Rules & Reference Committee

**On agenda:** 9/21/2009      **Final action:** 9/22/2009

**Title:** To amend Section 1163.03 of the Columbus City Code, 1959, to adjust the base used in calculating the Power Cost Reserve Adjustment in the Municipal Electric Rates.

**Sponsors:** Eileen Paley

**Indexes:**

**Code sections:**

**Attachments:**

Date	Ver.	Action By	Action	Result
9/22/2009	1	MAYOR	Signed	
9/22/2009	1	CITY CLERK	Attest	
9/21/2009	1	Columbus City Council	Approved	Pass
9/21/2009	1	COUNCIL PRESIDENT	Signed	
9/14/2009	1	Columbus City Council	Read for the First Time	
8/27/2009	1	CITY ATTORNEY	Reviewed and Approved	
8/27/2009	1	Utilities Drafter	Sent to Clerk's Office for Council	
8/26/2009	1	Utilities Drafter	Sent for Approval	
8/12/2009	1	Finance Reviewer	Reviewed and Approved	
8/12/2009	1	FINANCE DIRECTOR	Reviewed and Approved	
8/12/2009	1	Utilities Drafter	Sent for Approval	
8/11/2009	1	UTILITIES DIRECTOR	Reviewed and Approved	
8/11/2009	1	Utilities Drafter	Sent for Approval	
8/5/2009	1	Utilities Drafter	Sent for Approval	
8/5/2009	1	Utilities Reviewer	Sent for Approval	

**BACKGROUND:** This ordinance amends Title 11, Chapter 1163, Section 1163.03, Power Cost Reserve Adjustment, of the Columbus City Code pertaining to the municipal Electric Rates charged by the Department of Public Utilities, Division of Power and Water, for electric services.

The Prime Group, LLC has performed a cost of service study for the Division of Power and Water and has analyzed the current power cost base contained in the Power cost Reserve Adjustment (PCRA) to determine whether it is consistent with the expected purchased power cost. The current base is \$0.06419 per KWH. The base was calculated in 2006 based on an estimate of the cost contained in the purchased power contract being negotiated at the time. Based on the actual negotiated contract with AEP, the power cost base in the PCRA should be \$0.05773 per KWH. The Prime Group recommends that the power cost base contained in the PCRA be modified to reflect \$0.05773 per KWH. This change will preserve the margins that were expected from the rates implemented in 2007. (Ord. 1911-2006, passed 11/20/06)

The Prime Group also recommends a change to the definition of Egm (the net energy produced by the O'Shaughnessy facility) in the PCRA to exclude energy generated from the O'Shaughnessy Dam hydroelectric facility unless that energy is being used to directly serve the customers of the City of Columbus. When the PCRA was initially developed, the O'Shaughnessy Generating Plant was used to serve the City of Columbus' native load customers. Therefore, the energy produced by O'Shaughnessy had to be accounted for in the calculation of the PCRA to accurately reflect the cost of Power. However, today the energy generated by O'Shaughnessy is not used to directly serve our customers but is sold to others. (The revenue earned helps to offset some of the cost of purchased power.) As a result, including the energy from O'Shaughnessy in the calculation of the PCRA would artificially lower the cost of power in that calculation compared to what it actually costs the city.

**FISCAL IMPACT:** This amendment to the power cost base is necessary in order to generate the revenue needed for daily operations of the Division of Power and Water (Power).

To amend Section 1163.03 of the Columbus City Code, 1959, to adjust the base used in calculating the Power Cost Reserve Adjustment in the Municipal Electric Rates.

WHEREAS, the City of Columbus, Department of Public Utilities, contracted with the Prime Group, LLC to conduct a cost of service study and rate design assistance; and

WHEREAS, the prime Group, LLC has recommended an amendment to the power cost base contained in the Power Cost Reserve Adjustment (PCRA) to be consistent with the expected purchased power costs; and

WHEREAS, the Department of Public Utilities, Division of Power and Water, wishes to amend the Columbus City Code, 1959, Title 11, Chapter 1163, Section 1163.03, pertaining to Municipal Electric Rates; now, therefore,

**BE IT ORDAINED BY THE COUNCIL OF THE CITY OF COLUMBUS:**

**SECTION 1.** That Title 11, Chapter 1163, Section 1163.03 of the Columbus City Code, 1959, be amended by modifying the following:

1163.03 Power cost reserve adjustment.

The power cost reserve adjustment includes the power cost adjustment (PCA) and the operating reserve allocation (ORA). The power cost reserve adjustment formula is as follows:

Power cost reserve adjustment = PCA + ORA

The rates set forth in the applicable rate schedules are based upon a PCB or power cost base of ~~\$0.06419~~ **\$0.05773** per KWH. This base does not include all purchase power costs incurred; therefore, monthly the power cost adjustment (PCA) formula is to be used to pass through purchase power costs incurred. Consumer electric bills may increase or decrease depending on the purchase power costs incurred and will be adjusted to the electric customer's bill based upon energy consumption used (PCA times KWH consumption billed).

(1) "PCA" is the power cost adjustment calculation to determine monthly purchase power cost of service and to adjust for reserve and operating cost allocations in the electric rates. The power cost adjustment charge or credit shall be determined within the nearest 1/1000 of a KWH in accordance with the following formula:

$$PCA = ((Pm/(Egm+Epm) - PCB) \times ((Egm + Epm)/Esm))$$

PCA = Power cost adjustment to be charged in accordance with the power cost reserve adjustment as set forth within this chapter. The power cost adjustment amount per KWH will be charged times the energy used during the current billing month along with the electric rates established in this chapter.

Pm = Net cost of purchased power for the third month preceding the current billing month.

Egm = Net energy produced by the O'Shaughnessy Generating Plant for the third month preceding the current billing month. **This energy shall be omitted from the PCA formula during periods when it is not used to directly serve electric customers of the City of Columbus.**

Epm = Net energy purchased from other parties during the third month preceding the current billing month.

Esm = Total ~~metered~~ energy sales from customer meters read during the third month preceding the current billing month.

PCB = Power Cost Base = ~~\$0.06419~~ **\$0.05773** per KWH.

(2) "ORA," the operating reserve allocation component of the power cost reserve adjustment, is an upward or downward adjustment in power cost reserve adjustment rate level as determined necessary by the Director of Public Utilities or designee to maintain competitive rates and/or to provide revenue to meet established ~~Project 2020~~ street lighting construction goals. The director or designee may set or adjust the ORA monthly; provided, in no event, shall the director or designee set or adjust the ORA level to be greater than \$0.008 per KWH above the PCA for the third month preceding.

The power cost reserve adjustment shall be expressed in dollars per kilowatt-hour. The adjustment shall be effective at the beginning of each month to reflect adjustments made for purchase power costs incurred during the third month preceding and reflect ORA adjustment to the current month's billing cycle. (Ord. 2720-98 § 1; Ord. 422-06 § 2 (part); Ord. 1911-2006 § 1 (part).)

**SECTION 2.** That this ordinance shall take effect and be in force from and after the earliest period allowed by law.