

DATE:**TO:** Honorable Mayor and City Commissioners**FROM:** Base Rate and Fuel Adjustment (BRFA) Committee**TITLE:** Final Report and Recommendations**Explanation:**

During FY 15 GRU budget presentations, the Gainesville City Commission established a sub-committee to discuss and make recommendations to the City Commission on several items related to the Base Rates and the Fuel Adjustment.

Recommendations:***Strategy on Connect-Free Program Options***

BRFA recommends that the committee seek consensus from the full City Commission in order to create a dedicated fund for FY 16 under General Government control. BRFA recommends the focus of the program be low income residents, feasible locations, dense population and possibly non-profits that offer significant public benefit. BRFA recommends that the City Commission discuss whether the program will remain available for city residents only or be available to county residents as well. The City Commission should develop criteria for use of program funds by non-profits and also discuss whether to establish a per customer cap and evaluate that cap annually.

Recovery of GREC PPA Costs Through Fuel Adjustment vs. Base Rates

BRFA recommends that upcoming 2015 cost of service study report prepared by the rate consultant outline the pros and cons of recovering GREC PPA fixed costs through fuel adjustment rates or retail base rates. BRFA recommends having GRU & GG present the upcoming FY 16 Budget under two set of circumstances: 1) Recover fixed costs of GREC's PPA as it currently exists through the Fuel Adjustment rate; 2) Recover fixed costs of GREC's PPA through retail base rates. Since base rates are subject city and county utility taxes as well as the electric surcharge in the unincorporated area, the latter scenario would result in a net increase in taxes to General Government and Alachua County. This would also result in a net increase to customers who pay those taxes and surcharge. Increased electric surcharge revenues would accrue to GRU, but due the way the Fuel Adjustment is calculated in the City of Alachua wholesale contract, those revenues would decrease by a larger amount than the increased electric surcharge receipts (that are retained by GRU). There are other options the committee discussed that could exempt a portion of electric usage from utility tax assessment or lower the utility tax and surcharge rates in order to keep utility tax and surcharge revenues neutral should the Commission desire that as an outcome.

Residential Electric Rate Structure – Tiering Alternatives

BRFA recommends a policy that the range for cost vs. revenue of residential versus non-residential rate classes be limited to 0 – 5 percent as determined by the cost-of-service study. BRFA recommends establishing residential electric rate structure at two tiers, breaking at 750 kWh per month for both the base rate and fuel adjustment rate – with a one cent per kWh differential on the fuel adjustment tiered rate. BRFA recommends referring a citizen suggestion – that there be a special electric rate for those residential customers not served by natural gas to the Regional Utilities Committee.

Multi-family Water Rate Structure

BRFA recommends developing appropriate cost recovery methodologies for this group of water customers whether through consumption charges, customer charges, or combination of the two. Utilize the results of the upcoming cost of service study by consultant for determination of cost-based service in relation to other users within the water system. BRFA recommends considering an additional phase-in approach to any future increases in revenue requirements and rate designs in upcoming budget cycles specific to this subset of water customers. Finally, maintain involvement and keep interested stakeholders informed and engaged of the rate setting and budget process.

Billing and Collection of General Government Stormwater & Refuse Services on GRU Bill

BRFA recommends that the suggestion to bill and collect stormwater and refuse services through an alternate method not be given further consideration and that these services continue to be billed on GRU's monthly bill. The basis for this recommendation is that the current classification of these fees as user charges to the tenant on the monthly utility bill is reasonable and allowable by law. A move to billing and collecting through the tax collector office categorizes the charges as special assessments to property owners, to be collected in one annual lump sum. It was determined that there was not sufficient reason to support changing the billing and collection process for stormwater and refuse services to an alternative method.

Fiscal Note:

Recovering the costs of the GREC PPA through base rates will potentially increase utility taxes and surcharges that GRU electric customers pay along with recover less revenue from GRU wholesale service electric customer City of Alachua.

Legislative History:

1/27/15 Base Rates and Fuel Adjustment Committee Approved as Recommended