

## Jessica Gillies

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**From:** Howard Hoffman <hh@hiosilver.com>  
**Sent:** Friday, July 9, 2021 3:33 PM  
**To:** Erik Christeson  
**Cc:** Eric Richert; Bertrand Perroud  
**Subject:** Electric Rates

Dear Erik,

If it is not too late, could you please include this email in the supplemental info packet for the Board Members?

If it is too late, would it be ok if I sent this email to each Board Member?

Thank you.

Howard Hoffman

Dear KMPUD Board Members:

At the 2nd Rate Hearing for the proposed electric rates, a 5-0 compromise was reached which would implement the "EDU system" for charging electricity customers. This system which you are set to approve in an ordinance, would reduce the rate from the current \$.66/kWh to \$.22/kWh. The fixed costs would be covered by a monthly charge of \$127/month per EDU, with a minimum 0.5 EDU per meter.

In the energy audit work that I used to do professionally for municipal water and wastewater customers from Florida to California, I studied commercial rate schedules from many different electric utilities. In every case, commercial customers were charged both an energy charge and a capacity charge. The energy charge was generally lower than the rate per kWh incurred by residential customers. However, the commercial customers also paid a "Demand Charge" as their way of paying for capacity. No electric utility that I know of, excepting KMPUD, charges all customers on a per kWh basis only. The commercial customers in normal electric utilities are metered by more sophisticated meters which measure both energy consumption (kWh) and peak demand in kiloWatts (kW). Most residential meters are incapable of measuring anything but cumulative energy consumption. KMPUD is different. We have remote reading electric meters that are read automatically once per hour. This lends itself to having demand charges for all KMPUD customers. By taking the peak kWh reading out of all of the hourly readings in a month, we would have the peak kW for each meter. The peak kW in the past 12 months would determine the demand charge for each meter. Charging on the basis of peak demand rather than the non-standard EDU would be more consistent with Goal #2 from the Rate Study:

- Ensure fixed costs (debt) are equitably allocated across customers.

I do not have all of the customer data to analyze how a rate schedule based on energy + demand charges would work out for all customers. In addition, I felt that a \$100 monthly minimum charge for each account would be closer to fair than 0.5 EDU, as all customers have the highly reliable, if expensive, power system that we all use at Kirkwood.

The following is a very preliminary analysis of how this might work and in comparison to the proposed EDU system.

A TALE OF 2 RATE STRUCTURES FOR 5 DIFFERENT ELECTRIC CUSTOMERS AT KIRKWOOD

Current Proposed Alternative Proposal Change, %

Monthly Charge (not inc meter charge)	\$14.93		
Monthly Minimum per Account			\$100.00
kWh per month per EDU		245	
Monthly Charge per EDU		\$127.00	
Energy Charge per kWh	\$0.66	\$0.22	\$0.22
Demand Charge per kW (each month)			\$80.00
Total Annual Cost			
No Use Customer		\$762	\$1,200 57%
Frugal Full-Time Resident (1.7 EDU)		\$3,690	\$3,321 -10%
6 Day per Month Resident (0.5 EDU)		\$1,085	\$2,638 143%
100 kW Year Round Customer		\$510,360	\$248,064 -51%
100 kW Chairlift		\$75,313	\$118,440 57%

Unlike the Rate Study which had as Goal 6:

- Minimize changes in annual costs for most customers.

The alternative proposed system would result in big changes up or down for many customers. As such, it might be difficult to implement such a system without a lot more time to work out details and inform customers of the pending changes. It probably would be necessary to phase in such a large change in rates. This could be easily done by implementing a much lower demand charge at first and then raising the rate while decreasing the fixed monthly charge based on EDU.

Here are some observations from this exercise:

1. Full-time residents would receive a decrease of about 10%.
2. Typical vacation home owners would receive an increase of around 57% (this could vary a lot depending upon usage pattern, and each owner would be free to modify their use pattern to minimize the impact of the demand charge).
3. The wastewater treatment plant and the water system as year round customers, could expect to see major savings.
4. Each chairlift meter could expect to see major cost increases.

One way of looking at this is that mostly kWh (Energy Charge) method has been unfair too long and the sooner we change it the better.

While I am not calling on the Board to throw out the work done to date by Bob Epstein and the staff, i hereby request that you consider the following:

1. Modify the ordinance to include a \$100 (or possibly higher) monthly minimum charge for all accounts.
2. Analyze the impact of a demand charge on the existing customers based on actual customer data.
3. Consider implementing a complete or phased in change to a Demand Charge system by July 1, 2022.

Thank you for your consideration.

Regards,

Howard Hoffman

Kirkwood Meadows PUD is an equal opportunity provider and employer.