



KIRKWOOD MEADOWS  
PUBLIC UTILITY DISTRICT

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## Special Notice

Name  
Address  
City, State  
Zip

Kirkwood Location

July 20, 2021

Dear First\_name,

The KMPUD Board of Directors has held five Board meetings and three public hearings on proposed changes to electric rates. Each public hearing generated a variety of comments from our community and, in response, the Board heard and considered those suggestions and made many changes to both the rates and the rate structure. Also, new information about availability of property tax revenue to the electric department required a 6% increase in revenues. Each of these changes was incorporated in three communications to customers, estimating how the changes would affect each customer's annual electric costs. This letter reflects the final decision of the Board after carefully considering your input and suggestions.

**On Saturday July 12, the Board adopted new electric rates that will become effective on August 1.** The main change since the last letter is a decision to calculate Equivalent Dwelling Units (EDUs) based on the three years of electricity use prior to (i.e. excluding) the past pandemic year. Many in our community expressed concern with including the pandemic year in either a 3 year or a 5 year average, and the Board agreed.

For your property, here is the new estimate of your average monthly electricity cost, based on your property's average monthly use (AMU) from April 1, 2017 through March 31, 2020. As a reminder, the Base Rate cost is a fixed monthly cost. On a monthly basis, it does not change even if you increase or decrease your electricity use. The monthly Usage Rate changes month to month, based on how much electricity you use. Starting August 1, 2021 the Base Rate will be \$119/EDU/month and the Usage Rate will be \$0.22/kilowatt hour (kWh).

The table below shows your average monthly cost assuming your average monthly usage of 306 kWh under the **current** rates prior to the 6% increase mentioned above and what it will be under the **new** rates with the 6% increase (note that your monthly bill has always included a meter charge (currently \$3.03) that is not included below):

Electric Usage for Location Kirkwood Address

Meter	Average Monthly Usage (kWh)	Prior EDU	New EDU	Prior Base Cost	New Base Cost	Prior Usage Cost	New Usage Cost	Prior Average Monthly Cost	New Average Monthly Cost	Net Monthly Change
30222672	306	1.0	1.3	\$14.93	\$154.70	\$200.74	\$67.32	\$215.67	\$222.02	<b>\$6.35</b>

Your average monthly usage is based on your average monthly usage for last three years.

Your August bill will likely be higher than what you have experienced in previous years and your December bill will likely be lower.

### **The Journey to this Conclusion (read if interested!)**

The main reason for changing how we pay for electricity is to more closely align our fixed (Base Rate) revenue with our high fixed costs, and our variable (Usage Rate) revenue with our relatively low variable costs. This ensures that we will always be able to meet our loan obligations, even in times of poor snowfall, pandemic, or other events that can cause low electricity use.

As a reminder, our high fixed costs are directly related to the cost of building a new power house and connecting to the grid which was energized in November 2014. We have high quality and highly reliable power in Kirkwood, but also high fixed costs.

In addition to aligning revenues with costs, we originally set other goals as we considered a new rate structure:

- No increase in revenues assuming 6,800,000 kWh of annual electricity sales.
- As few changes to customers' annual electricity costs as possible.
- Make shifting from propane, wood, and gasoline to electricity more economically possible than with our current \$0.656/kWh Usage Rate.

Our Electric Rate Study initially established a Base Rate of \$127/EDU/month and a Usage Rate of \$0.137/kWh.

To minimize changes to annual customers' costs, we proposed using customers' average monthly use over the 3 year period of April 1, 2018 - March 31, 2021 to establish each customer's number of EDUs. To assure that all customers pay a fair share of fixed costs, we established a minimum EDU of 0.5.

#### **Change 1: 100% Renewable**

The first change came based on the community's and the Board's sentiment that we should purchase sufficient Renewable Energy Credits (RECs) to make electricity sales 100% renewable, up from our current 33%. This change added \$.01/kWh to the proposed Usage Rate.

#### **Change 2: \$270,000 Additional Revenue**

Many of our Departments (Electric, Water, Wastewater, Fire, Employee Housing, Playground) require a share of the property tax revenues that the Counties return to us. Over the past 7 years, the Electric department has been first in line for as much as 75% of these revenues, to assure that we meet the loan obligations we have with the Rural Utility Service (RUS).

Our Wastewater Treatment Plant is due for major renovations after 45 years of use. As we explored financing options for this project, we learned that it will also require a certain share of property tax revenues to assure best financing terms. This means that the Electric Department could fall short of needed revenues. Therefore, the Board decided that our electricity rates would need to generate an additional \$270,000 annually, approximately a 6% increase. (This increase would be needed whether or not we change our rate structure).

At the same time, we heard from some members of the community that:

- The low Usage Rate could result in inefficient use of electricity.
- The high fixed Base Rate could be a burden to some members of the community, particularly if they decrease their electricity use.

After substantial discussion, the Board agreed to set the Usage Rate at \$0.22/kWh to generate the needed revenue as well as cover a small portion of fixed costs and lower the Base Rate to \$119/EDU/month.

#### **Change 3: Two Special AMU cases**

One change affects how AMU and EDUs are calculated when a home changes ownership. The original proposal was to blend the previous owner's electric use with the new owner's use over a period of 3 years. We changed this proposal so that the previous owner's use will influence the Base Rate cost for only the first full year of new ownership ending in March. After that year, the new owner's AMU will be adjusted each year based on the new owner's usage to determine the fixed monthly cost.

The other change only affects our nine customers with solar panels. The Board recognized that these customers need some period of time to “pay back” the cost of their solar panel systems. We originally proposed a beneficial AMU calculation that would last 4 years from when the panels were first operational. This was changed to 10 years.

#### **Change 4: Which 3 or 5 Years for the AMU calculation?**

Much of the community’s and Board’s discussion focused on how to calculate AMU. The initial 3 year average included the past pandemic year. Many thought that this would increase some residents’ costs because of the unusually high use of their homes last year, and benefit some commercial users such as restaurants, which were closed during the year. After much discussion we initially changed the calculation to a 5 year average: the 3 past years plus the 2 next years. The last customer letter showed this calculation. On July 12 we took additional community comments and engaged in further discussion. As a result, we settled on a final change: we will use the 3 years prior to (i.e. excluding) the pandemic year, specifically April 1, 2017 - March 31, 2020.

#### **Conclusion**

This effort began with the clear goal of aligning fixed and variable revenue with fixed and variable costs. The desired result of as little change as possible to customers’ annual electricity costs added complexity to the process. As members of our community expressed their thoughts, other priorities (100% renewable, efficient use of electricity, how to avoid potential monthly burden on some members, fairness to those who used their homes during the pandemic and to those with solar panels, etc.) influenced the final rate decisions. The Board very much appreciates all the comments received; they have been critical in developing a rate structure that balances a number of sometimes competing priorities.

Three additional issues will be evaluated during the next year. The Board’s Planning Committee will be considering:

- For new homes that are all-electric, particularly if new propane connections are not possible, how should fixed monthly cost be calculated?
- For existing homes with less than three years of usage data as of March 2020 that want to convert to electric heat from propane/wood how should their fixed monthly costs be calculated? This is not an issue for homes with three years of usage as their AMU is fixed and the increased electricity use for heating will not change their AMU.
- For existing homeowners who significantly and durably reduce their electricity use, should there be a process for reducing their fixed monthly cost?

As these and possibly other issues come to the Board, we continue to invite and encourage your participation.

Sincerely,

KMPUD Board of Directors