

City of Monett
217 Fifth Street
Monett, Missouri 65708

James Orr,
Mayor

Jerry Dierker,
Commissioner

Mike Brownsberger,
Commissioner

Dennis Pyle,
City Administrator

Building Inspector
235-5306

Casino Reservations
235-3544

Cemetery
235-3495

City Administrator
235-3355

City Clerk
235-3763

Fire Non-Emergency
235-7799

Golf
235-6076

Human Resources
235-3763

Municipal Airport
476-5112

Municipal Court
235-4677

Police Non-Emergency
235-4241

Street/Sanitation
235-3495

Utilities
235-3300

Waste Treatment Plant
235-7455

Website
www.cityofmonett.com

Frisco Line News



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2014 ELECTRIC RATE STUDY WHOLESALE ELECTRIC MARKET FACTORS WILL LEAD TO RATE ADJUSTMENT FOR MONETT UTILITIES

The City of Monett receives its power from Empire District Electric Co. through a full-requirements contract. The contract, which began on August 1, 2010, has a term of 10 years but the cost of electricity to the City is adjusted annually based on Empire's cost to supply power. The demand and energy rates charged to the City are revised each June. This cost-based tariff substantially changed the way that power was billed to the City. Prior to approving the new contract with Empire, the City evaluated other wholesale power supply options, including the Missouri Public Entity Pool (MoPEP), but the Empire proposal was considered the best option available to the City at that time.

Since 2010, there have been three major impacts to the City's wholesale electric costs: 1) the change from a fixed-price contract to a cost-based tariff; 2) a 60% increase in transmission charges from the Southwest Power Pool (SPP); and most recently 3) the transition to an integrated market within the SPP. The integrated market protocol implemented by SPP on March 1, 2014, has had a significant impact on the City's Fuel Adjustment charges since the April utility billing and will continue to have at least a short-term impact. The Southwest Power Pool has projected that implementing the integrated market should result in substantive net savings to consumers by reducing the overall fuel and purchased power costs. The City is working with Empire on a method to calculate these costs and credits in a manner that would lessen the monthly impact on consumers.

Monett City Utilities commissioned a study to determine the cost-of-service for each class of utility customers (residential, small commercial, large commercial/industrial, and large industrial), determine what adjustments in rates, rate classifications and fuel adjustment charges needed to be made to cover these costs, and to make recommendations to the City Council. The firm of Allgeier, Martin & Associates of Joplin, MO was selected to perform the study after reviewing four other proposals. Allgeier, Martin & Associates had performed the last cost-of-service study in 2012.

To determine a cost-of-service for each class of customer, expenses are divided into consumer, demand and energy components. Consumer related expenses are mainly salaries and supplies required by office personnel for billing of customers. Most of these costs are allocated to residential customers due to the number of meters and the billing and collection costs incurred relating to residential customers. Demand related expenses are the cost of equipment such as generating plants, new power line construction, computers, service trucks, etc...Most of the demand related expenses are allocated to large commercial and large industrial users based on the cumulative demand. Energy related expenses are primarily the cost of fuel for generation and salaries of line maintenance personnel. Energy costs are allocated mostly to the large commercial and large industrial users based on kWh's.

Residential and small commercial customers are billed based on energy usage only. Large commercial customers who have at least 30 kW and large industrial users that have at least

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700 kW of demand are also billed on their metered demand.

The new rates proposed in the study would increase electric charges by an average of 5.5%. When the costs were allocated to the respective customer classes, the new proposed rates will increase residential rates by 10%; small commercial rates by 5.2%; large commercial/industrial rates by 4.2%; and large industrial rates by 3.7%. According to the study, the average residential bill will increase \$9.40/month and the average small commercial bill will increase \$14.06/month. These new rates would be implemented as of July 1, 2014 and billed in August.

How do Monett's electric rates compare with other municipal utilities, investor-owned utilities, and rural electric cooperatives in Missouri? According to the latest information available from the U.S. Energy Information Administration, the average retail costs by class were as follows:

<u>Utility</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>
Monett	8.76 cents/kWh	7.52 cents/kWh	7.26 cents/kWh
Carthage	9.43 cents/kWh	8.12 cents/kWh	6.56 cents/kWh
Lamar	11.51 cents/kWh	10.60 cents/kWh	No Rate Listed
Lebanon	8.94 cents/kWh	9.09 cents/kWh	8.31 cents/kWh
Mt. Vernon	9.43 cents/kWh	9.08 cents/kWh	8.36 cents/kWh
Nixa	10.26 cents/kWh	9.54 cents/kWh	7.59 cents/kWh
Empire District Electric Co.	11.72 cents/kWh	10.31 cents/kWh	7.72 cents/kWh
Barry County Electric Co-op	9.26 cents/kWh	7.49 cents/kWh	8.00 cents/kWh
Ozark Electric Co-op	10.65 cents/kWh	9.80 cents/kWh	7.33 cents/kWh

Source: U.S. Energy Information Administration www.eia.gov

This data is from 2012 but is the most recent data available on the EIA website. These costs may have changed since that time but the table is shown as a comparison with the City's peer group. Based on the Allgeier report, the City's average cost per kWh by customer class will be as follows with the new rates: Residential - 10.90 cents/kWh; Small Commercial - 9.93 cents/kWh; Large Commercial - 8.76 cents/kWh; Large Industrial - 8.47 cents/kWh. These rates reflect the City's increased wholesale costs since 2012.

These proposed 2014 rates do not include the variable Power Cost Adjustment that is passed-through to customers, however, the City is working with Empire on a resolution that would mitigate the impact of these variable costs. This will require Empire to submit a filing with the Federal Energy Regulatory Commission (FERC) in order to change the method in which they bill their wholesale customers. If, and when, this is approved by FERC, the new rates being proposed should only require minor modifications each month to account for any changes in fuel cost.

Source: City of Monett, 2014 Electric Rate Study – Allgeier, Martin & Associates