SALEM CITY
Staff Report to Mayor & City Council

Agenda Date:	**October 6, 2010**
Agenda Item #:	**Work Session - Floyd Rigby, UCMC – Power Discussion for Nebo School District.**
Staff Contacts:	Jeff Nielson, Clark Crook,

Background Discussion:

Floyd Rigby works for a UCMC (Utility Cost Management Consultants). Floyd is doing consulting work for NEBO School District to figure out how they can help Nebo SD save money with their utilities at the schools. Floyd came to the city and requested to change the High School from a commercial rate to an industrial rate for Salem City. Staff recommended that he come to council for this discussion.

Please see the attached request to come and talk to the council.

I want to give you some background of our Industrial Rate. Back in 2003 when Olson's Greenhouse was built, they built the power so they would be metered on the high side (this means that the power is metered before it goes into their transformer. This also means that they are responsible for the power line and transformer (i.e. maintenance, replacement, etc) from the meter point to the building. They also had a Power Factor meter installed which can give them a break or can increase the power cost, depending on how much power they draw and the timing of it (the standard is 90% power factor lagging, if they go below that then they are penalized). This was something new to Salem at the time, and so we created an industrial rate for this situation. Looking back at it now and talking with Clark Crook, this may not be the right classification for the industrial. Olson's do not use that much power in comparison to some of the other high power users. This could be a different discussion on what is considered industrial rate.

Alternatives:

Option 1: If the council approved the rate change from commercial to industrial without any change to the rate, it could save the high school about $3,000 - $5,000 a month. This is a big savings for them.

Option 2: Don't do anything and leave it where it is at.

Option 3: The city does not have a Large Commercial rate; this might be something to look into. Considerations for this, the larger commercial business would have to meet certain requirements, and prove for a year's period that they meet a certain kW each month. By doing a new rate, we could look at saving some of the larger commercial business (i.e. High School) a little bit of power costs. The more commercial we have (especially the larger power users), helps our load factor for UMPA.

Along with that, revising the current industrial rate, that would represent what true industrial, would be. At the same time look at creating a High Side commercial power rate. Clark Crook recommends that the high side metering be done on a case by case basis.

Recommendation:

Staff recommends option 3, but hold off until sprint to allow time for the effects of the UMPA power increase and to see if there is going to be another increase by UMPA. The last couple of months our per kW cost (Demand) was $13.69 per kW (up from $10.99), and then the per kWh was $0.0210. We recommend waiting to see what the new UMPA power rate is going to do. We may have to change power rates again for residential, or look at changing commercial rate. Again, recomendaiton would be to wait and see what the UMPA power rates are going to do for us. When the new budget is being discussed in the spring, look at the power rates, and the possibility of creating a large commercial rate.

Budgetary Impact:

If the rate is changed, it could mean a reduction in the power budget by about $3 - $5 thousand a month. Also some of the other larger users may want the same deal. This would have an effect on the current budget.

Items to take into consideration, the agreement we have with Nebo for facilities use: We give the High School a $500 credit each month on the power ($6,000 year), and we give a $2,350 credit on P.I. each month ($28,200 year). This is for the agreement to use the NEBO facilities.

Attachments:

Floyd Rigby request, power rates, comparison to Spanish Fork power with Maple Mountain High School.

High School Comparison (this is based from July 2009)

Salem Hills High based on our power rates:

Salem Power Rate Commercial:

Customer Charge		$49.00
Demand (kW)		$10.99
Energy (kWh)	0 – 3000 kWh	$0.033718 per kWh
	3001 – 999..kWh	$0.046100 per kWh

High School Power Charge July 2009
Power used:

Kwh	239,100
kW (demand)	750

Cost: $19,276.86 (Note, if we had SF Rate it would be $16,039.88)

Maple Mountain High based on Spanish Fork Power Rates:

Spanish Fork Power Rate Commercial:

Customer Charge		$6.50
Demand (kW)		$6.00
Energy (kWh)	0 – 1000 kWh	$0.117500 per kWh
	1001 – 5000 kWh	$0.075790 per kWh
	5001 – 999..kWh	$0.047470 per kWh

High School Power Charge July 2009
Power used:

Kwh	258,000
kW (demand)	1060

Cost: $18,767.07

SALEM CITY

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APPLICATION TO APPEAR BEFORE THE CITY COUNCIL

APPLICATION INFORMATION			
Name of Applicant or Authorized Agent(s):	Floyd Rigby		
Address:	6642 W. 9720 N		
City: Highland	State: UT	Zip: 84003	Phone: 801-376-4407
Fax: 801-763-5466	E-mail: floyd@ucmc-usa.com		
Signature of Applicant:	Floyd Rigby		
Date of Council Meeting you wish to appear:	Oct. 6, 2010		
Date: Sept. 29, 2010			

A DETAILED SUMMARY FOR APPEARING BEFORE THE COUNCIL
Be as specific as possible, with as much detail as possible. Submit any documents, maps, etc.
My company, Utility Cost Management Consultants, is working with Nebo School District. We try to work closely with all utility providers throughout Utah who service our public schools. Rocky Mountain's rate structures are classified differently, but to conform to all schools in the same manner. Our initial desire is to have a discussion with your council concerning the possibility of converting at least the largest electric consumer, a school located at 150 N. Skyhawk Blvd from their current "Commercial" rate to "Industrial." We have noted Payson also offers both of these rates and their schools are on the Industrial rate. Our company has an auditing contract with the State of Utah and services most school districts and larger cities, including Salt Lake City. Thank you for giving us this opportunity.

Electrical Rates

Residential

Base	$	11.00	
First 500 kWh	$	0.077659	per kWh
501 - 999 kWh	$	0.09165	per kWh
1000 kWh	$	1.50000	For the one kWh used
1001 - 1499 kWh	$	0.11000	per kWh
1500 kWh	$	2.50000	For the one kWh used
1501 - up	$	0.11750	per kWh

Commercial Rate without Demand

Base	$	20.00	
First 700 kWh	$	0.073087	per kWh
Over 700 kWh	$	0.109791	per kWh

Commercial Rate with Demand

Base	$	49.00	
Demand Charge	$	10.99	
First 3000 kWh	$	0.033718	per kWh
Over 3000 kWh	$	0.046100	per kWh

Industrial Rate:

Base	$	110.00	
Demand	$	8.45	
First 1000 kWh	$	0.027737	per kWh
Over 1000 kWh	$	0.030000	per kWh