



# CITY OF GRAND RAPIDS

## Meeting Agenda Full Detail City Council Work Session

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Monday, December 17, 2012

4:00 PM

Conference Room 2A

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**CALL TO ORDER:** Pursuant to due notice and call thereof a Special Meeting/Worksession of the Grand Rapids City Council will be held on Monday, September 17, 2012 at 4:00 p.m. in Conference Room 2A, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

**CALL OF ROLL:** On a call of roll, the following members were present:

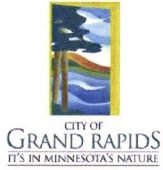
### Discussion Items

1. [12-0767](#) PUC Rider Discussion.  
*Attachments:* [PUC Rider Information](#)
2. Review 5:00 pm regular meeting agenda.

**ADJOURN**

**Attest:**

**Shawn Gillen, City Administrator**



# CITY OF GRAND RAPIDS

## Legislation Details (With Text)

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**File #:** 12-0767      **Version:** 1      **Name:** PUC Rider  
**Type:** Agenda Item      **Status:** CC Worksession  
**File created:** 12/11/2012      **In control:** City Council Work Session  
**On agenda:** 12/17/2012      **Final action:**  
**Title:** PUC Rider Discussion.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [PUC Rider Information](#)

Date	Ver.	Action By	Action	Result
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Title  
PUC Rider Discussion.



**GRAND RAPIDS**  
IT'S IN MINNESOTA'S NATURE

## PUBLIC UTILITIES COMMISSION

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### Memorandum

**To:** Public Utilities Commission  
**CC:** GRPUC Agenda 12-12-2012  
**From:** General Manager *ATW*  
**Date:** December 6, 2012  
**Re:** Requested Facilities Surcharge Rider

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The GRPUC reviewed the costs associated with mandated over head to underground conversions at a special meeting held in September 2012. The GRPUC, at that time directed management to develop a methodology which would provide a means to collect the excess costs associated with the conversions. In addition, the GRPUC discussed the unbundling of rates to distinguish costs associated with the supply of electric service and costs imposed by a government or regulatory agency. As you are aware, investor owned and cooperative utilities follow similar unbundling processes.

In order to address the directive of the GRPUC, staff have developed three riders which when adopted by an enabling resolution, will establish policies that will allow the GRPUC to unbundle utility rates. The riders provide a transparency to the actual cost of service and its' various components for the charges imposed on our customers.

Attached, please find the proposed riders for your review and consideration. I will provide the enabling resolution for your consideration and adoption, prior to your meeting. Currently our attorney, Mr. Bengtson and I are drafting the resolution.

Grand Rapids Public Utilities Commission  
Grand Rapids, Minnesota 55744

**ELECTRIC RATE BOOK  
COUNTY/CITY/TOWNSHIP REQUESTED FACILITIES SURCHARGE RIDER**

Date Filed: 12-12-2012      Effective Date: 01-01-2013

**APPLICABILITY**

Applicable to bills for electric service provided under the retail rate schedules of the Grand Rapids Public Utilities Commission (GRPUC) in a County/City/Township ordering the installation of underground electric distribution facilities. The excess expenditure costs for these facilities are to be collected from customers located within such County/City/Township in accordance with the provisions herein:

The GRPUC will provide notice to the affected County/City/Township of any charge adopted by the GRPUC to establish a Special Facilities Surcharge applicable to customers in such County/City/Township.

**RATE**

In each applicable County/City/Township, there shall be included in the monthly electric service billing on each customer's bill a separately itemized surcharge line item determined in accordance with the adopted Special Facilities Surcharge Calculation entitled "Required Facilities Surcharge". The County/City/Township Requested Special Facilities Surcharge shall not be subject to current month billing adjustments and shall be subject to any applicable sales taxes.

**DETERMINATION OF COUNTY/CITY/TOWNSHIP REQUESTED FACILITIES SURCHARGE**

The County/City/Township Requested Special Facilities Surcharge for each applicable County/City/Township project shall be calculated by determining a Class Facilities Surcharge to be applied to the Average Monthly Customers in the designated County/City/Township such that the total Excess Expenditure plus carrying charges in the County/City/Township Project Tracker Account are recovered over the designated Recovery Period.

Average Monthly Customers shall be the average number of active customers in each applicable customer classification located in the County/City/Township for the designated Recovery Period.

Class Facilities Surcharge shall be the surcharge amount for each applicable customer classification determined in accordance with the Rules for Application.

County/City/Township Project Tracker Account is an asset account representing the sum of the following:

- (1) The total excess expenditures for each electric distribution facilities undergrounding project in such County/City/Township,
- (2) Monthly carrying charges on the under recovered or over recovered monthly balance in the County/City/Township Project Tracker Account calculated on the average investment account earnings, by the GRPUC over the previous six month period.
- (3) Less the recovered project costs collected to date through the applicable County/City/Township's Facilities Surcharge.

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Grand Rapids, Minnesota 55744

**ELECTRIC RATE BOOK  
COUNTY/CITY/TOWNSHIP REQUESTED FACILITIES SURCHARGE RIDER**

Date Filed: 12-12-2012      Effective Date: 01-01-2013

Recovery Period is the number of months the County/City/Township Requested Facilities Surcharge shall be applied to bills for a designated County/City/Township project determined in accordance with the Rules for Application.

Excess Expenditures shall be determined in accordance with the provisions in the Facilities Surcharge Calculation.

**FACILITIES SURCHARGE CALCULATION**

The surcharge will contain the following components, including calculations as follows:

1. The total cost of underground installation:
  - a) Materials
  - b) Construction labor
  - c) Overhead, including administrative, general, design and other fees or charges
  - d) Equipment
2. A credit for the remaining un-depreciated value of already installed assets:
  - a) Materials returned to inventory, as valued by the straight-line average service life value, as adopted by the Grand Rapids Municipal Utility on September 19, 1978, Docket E 243/D-78-764)
3. A cost for the remaining un-depreciated value of already installed assets not salvaged:
  - a) Labor, materials, equipment and other installation costs
4. The total cost of removing existing assets:
  - a) Removal labor
  - b) Charges for equipment
  - c) Other consumables, cost of disposal or related charges
5. The total cost of a standard installation:
  - a) Materials
  - b) Construction labor
  - c) Overhead, including administrative, general, design and other fees or charges
  - d) Equipment

The formula for calculating the County/City/Township Requested Facilities Surcharge is:

Base:            The total un-depreciated value of the existing facilities

Less:            Returns to inventory less salvage costs

Plus:            The total installed cost of the Requested Special Facilities less the cost of a standard facility installation

Equals:        Total Requested Facilities Surcharge

The surcharge will be calculated during capital planning and implemented the first billing of the year the project is expected to be implemented.

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**ELECTRIC RATE BOOK  
COUNTY/CITY/TOWNSHIP REQUESTED FACILITIES SURCHARGE RIDER**

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**RULES FOR APPLICATION**

1. The Recovery Period shall not commence until the County/City/Township Requested Facilities Surcharge to be applied to bills is at least \$0.25 per customer per month. A surcharge of \$0.25 up to and including \$1.00 per customer regardless of customer class may be applied for a Recovery Period of exactly one month (e.g., a one-time surcharge).
2. For a Recovery Period greater than one month, the Class Facilities Surcharge per month per customer in each non-residential customer class for any month in which a Residential Class Facilities Surcharge is applicable shall be as follows:
  - a. Commercial: Equal to the Residential Class Facilities Surcharge times two (X's 2).
  - b. Industrial: Equal to the Residential Class Facilities Surcharge times four (X's 4)
  - c. Street Lighting – Equal to the Residential Class Facilities Surcharge
3. The Class Facilities Surcharges may be adjusted annually and in the last six months of the Recovery Period to more closely recover the balance remaining in the County/City/Township Project Tracker Account.
4. The Class Facilities Surcharges may also be increased at any time and the Recovery Period may be updated, in order to recover Excess Expenditures associated with additional Distribution Facilities undergrounding projects requested or ordered by the County/City/Township.

Grand Rapids Public Utilities Commission  
Grand Rapids, Minnesota 55744

**ELECTRIC RATE BOOK  
CONSERVATION IMPROVEMENT PROGRAM (CIP) SURCHARGE RIDER**

Date Filed: 12-12-2012      Effective Date: 01-01-2013

**APPLICABILITY**

Applicable to bills for electric service provided under the retail rate schedules of the Grand Rapids Public Utilities Commission (GRPUC).

**RIDER**

There shall be included on each non-exempt customer's monthly bill a Conservation Improvement Program (CIP) Adjustment, which shall be calculated by multiplying the monthly applicable billing kilowatt hours (kWh) by the CIP Adjustment Factor.

**DETERMINATION OF CONSERVATION IMPROVEMENT PROGRAM ADJUSTMENT FACTOR**

The CIP Adjustment Factor shall be calculated for each customer class by dividing the previous years recoverable Conservation Improvement Program Expense by next years budgeted retail sales.

Recoverable Conservation Improvement Program Expense shall be the previous years CIP expense not recovered through base rates. All costs appropriately charged to the CIP Expense Account shall be eligible for recovery through this Rider. All revenues received from the CIP Adjustment Factor shall be credited to the CIP Expense Account.

Projected Retail Sales shall be the estimated kilowatt-hour sales to all non-exempt customers for the next budgeted year.

**EXEMPTION** For "Large Customer Facilities", as defined in Minn. Stat. 216B.241 subd. 1, granted exemption by the Commissioner of the Minnesota Department of Commerce, Division of Energy Resources, pursuant to Minn. Stat. 216B.241, the CIP Adjustment Factor shall not apply.

Grand Rapids Public Utilities Commission  
Grand Rapids, Minnesota 55744

**ELECTRIC RATE BOOK  
MISCELLANEOUS SURCHARGE RIDER**

Date Filed: 12-12-2012      Effective Date: 01-01-2013

A surcharge will be included in the monthly customer bills in an amount equal to any franchise gross earnings or other fee, permit or usage fee, excise, city sales tax, payment in lieu of taxes or other charge or tax now or hereafter imposed upon Grand Rapids Public Utilities Commission (GRPUC) by a government, government agency or regulatory agency whether by ordinance, franchise, agreement, statute, or otherwise, applicable to electric, water, wastewater service supplied by Grand Rapids Public Utilities Commission to a customer.

Affected customers will be notified on the first bill on which a new or modified fee is listed via the standard bill message.

Example:

*The Minnesota Department of Health through the State of Minnesota imposes \$6.36 per water meter fee on GRPUC collectable through a fee on GRPUC water accounts each July. The line item appears on your bill as "Water Testing Fee." GRPUC remits 100% of this fee to the Minnesota Department of Health.*