

## **ORDINANCE NO. 01-33 AC CMS**

### **AN ORDINANCE AMENDING ORDINANCE NO. 00-82 AC CMS WHICH ADOPTED RATES, TERMS, AND CONDITIONS FOR ELECTRIC SERVICE PROVIDED BY THE CITY OF OBERLIN, OHIO**

**WHEREAS, Senate Bill 3, which became effective July 6, 1999, created a kilowatt-hour distribution tax that is to be paid by electric distribution companies to the State of Ohio for electricity distributed to end users; and**

**WHEREAS, the kilowatt-hour distribution tax is calculated by applying the rates found in Ohio Revised Code §5727.81(A) to the amount of kilowatt hours of electricity distributed to end users by an electric distribution company; and**

**WHEREAS, a municipality that operates a municipally owned electric utility that distributes electricity to an end user comes within the definition of an electric distribution company and is therefore required to calculate the kilowatt-hour distribution tax, in the manner set forth in Ohio Revised Code §5727.81(A), on the amount of kilowatt hours of electricity that the municipality distributes to end users both inside and outside of the municipal corporate boundaries; and**

**WHEREAS, Ohio Revised Code §5727.82(A)(2) states that a municipal electric utility that is required to calculate the kilowatt-hour distribution tax may retain in the municipality's General Fund that portion of the tax calculated on kilowatt hours of electricity distributed to end users within the boundaries of the municipal corporation, and the tax calculated on kilowatt hours of electricity distributed by a municipal electric utility to end users outside the boundaries of the municipal corporation must be remitted to the state; and**

**WHEREAS, the City of Oberlin operates a municipal electric utility that is required to calculate the tax on the kilowatt hours of electricity distributed to end users located inside and outside of the municipality's corporate boundaries; and**

**WHEREAS, the City of Oberlin desires recovery of the kilowatt-hour tax attributed to the distribution of electricity to electric customers located inside and outside the City's corporation limits by increasing the rates applicable to said customers by an amount equal to the kilowatt-hour tax imposed on the City.**

**NOW THEREFORE, BE IT ORDAINED by Council of the City of Oberlin, County of Lorain, State of Ohio, a majority of all members elected thereto concurring:**

**SECTION 1: That the electric rate schedules (Schedules Residential, Small Commercial, Large Commercial and Security Lighting) set forth in Appendix A of the Unbundled Cost of Service Study are hereby modified to include the following provision:**

EXCISE (KILOWATT-HOUR) TAX ADJUSTMENT

For all customers located inside and outside the City's corporation limits, the rates and charges set forth in this schedule shall be increased by an amount equal to the excise (kilowatt-hour) tax imposed on the City's electric distribution of kilowatt hours of electricity to end users located outside and inside the municipal corporate boundaries in accordance with the provisions of Ohio Revised Code §5727.81. The collection of kilowatt-hour tax shall become effective with the bills that include May 1, 2001 as part of the usage period and shall thereafter be automatically adjusted to reflect any change in the kilowatt-hour tax imposed by Ohio Revised Code §5727.81.

SECTION 2: It is hereby found and determined that all formal actions of this Council concerning or relating to the passage of this Ordinance were passed in an open meeting of this Council, and that all deliberations of this Council and of any of its committees that resulted in such formal action were in meetings open to the public, in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

SECTION 3: That this ordinance shall take effect and be in full force from and after the earliest period allowed by law.

PASSED: 1<sup>st</sup> Reading - April 2, 2001  
2<sup>nd</sup> Reading - April 16, 2001 (Motion to suspend the three readings)(Final Passage)  
(Effective in 30 days)

ATTEST:

  
CLERK OF COUNCIL

  
CHAIR OF COUNCIL

POSTED: 4/17/2001

EFFECTIVE DATE: 5/17/2001



• OBERLIN MUNICIPAL LIGHT AND POWER SYSTEM ♦ 289 SOUTH PROFESSOR STREET ♦ OBERLIN, OHIO 44074

Phone (440)775-7260

Fax (440)775-1546

## MEMORANDUM

**To:** Rob DiSpirito, City Manager

**Re:** Kilowatt-hour Tax

**From:** Steve Dupee, OMLPS Director 

**Date:** March 29, 2001

The purpose of this memorandum is to describe the new kilowatt-hour tax plan which is part of the electric restructuring legislation (Amended Senate Bill 3) and how this tax plan affects Oberlin.

Changes in the way taxes are calculated and collected has traditionally been a component of "deregulating" or significantly restructuring the way an industry operates. This holds true for the changes taking place in the utility industry today. All across the country, as states have restructured their telephone, natural gas and electric utility industries, officials also have altered the way these industries are assessed taxes. In Ohio, the tax restructuring provisions are designed to address Ohio's electric industry change to ensure that tax revenues are maintained to support schools, local governments and other programs.

Therefore, in order to create a deregulated competitive environment between investor-owned utilities and power marketers/aggregators, it was necessary for the State Legislature to revise the current tax structure system for electric utilities. Beginning May 1, 2001, the Public Utility Excise Tax on electric and rural companies will be repealed and the personal property tax assessment rate on non-transmission/distribution property will be reduced to 25%. What this means to Oberlin is that as of May 1, 2001, we will no longer have to pay gross receipts tax on our purchased power requirements which amounted to approximately \$175,622 in 2000. The primary source of replacement money will come from a new kilowatt-hour tax based on monthly electric consumption of end-users (i.e. residential customers, commercial customers, city facilities).

The new kilowatt hour tax structure is as follows:

First 2000 kilowatt hours delivered to end-user multiplied by .00465  
Next 13,000 kilowatt hours delivered to end-user multiplied by .00419  
Over 15,000 kilowatt hours delivered to end-user multiplied by .00363.

Investor-owned electric utilities, such as Ohio Edison, will collect this tax from its customers and remit the tax to the State of Ohio. Municipal electric utilities, such as Oberlin, will collect this tax from its customers; however, the tax collected from customers within the municipal's boundaries will be remitted to the City's general fund.

Taxes collected from customers outside the municipal's boundaries will be remitted to the State of Ohio. Federal facilities are exempt from paying the tax, which means we will not collect the tax from the FAA and the local post office.

According to the Ohio Municipal Electric Association (OMEA), the State legislature allowed the inside city limit tax collection to remain in the city's general fund because they recognized municipal electric utility's local contributions to the community and they wanted to provide a mechanism to allow local municipal community leaders the flexibility to achieve as much local revenue neutrality as possible in implementing the new kilowatt-hour tax.

Therefore, some municipal electric systems are asking the City to use the kilowatt-hour tax revenue to pay for the local contributions their utility provides, such as free street lighting and free electricity to City facilities, so that the municipal electric customer does not end up with a rate increase and the municipal electric system maintains a competitive margin.

Based on our electric sales data for 2000, the estimated "net" tax revenue to the City's general fund would be as follows:

Tax revenue on kwh sales of 105,489,000	=	\$421,956
Tax revenue on kwh delivered for city purpose	=	<u>\$13,400</u>

*Total Tax Revenues* = \$435,356

Less exempt facilities - (FAA)	11,074,800	=	\$44,300
(Post Office)	77,280	=	\$310

Less estimated outside kwh sales	=	\$50,000
Less outside kwh delivered for city purpose	=	\$8,050

*Total outside/exempt tax dollars* = \$102,660

**Total Adjusted Tax Revenues To General Fund = \$332,696**

Even though this tax is state mandated under the new restructuring legislation, the City must pass an ordinance to amend our current rate structure to facilitate the collection of the kilowatt-tax from our end-users.

OMLPS residential customers will experience approximately a 7% increase and commercial customers will experience approximately a 5% increase from this new tax. The elimination of the gross receipts tax will mitigate these increases and they can also be further mitigated by transferring general fund dollars back to the electric fund. We can discuss those options at some future date.

The Public Utilities Commission met on March 22<sup>nd</sup> to discuss this issue and have issued a recommendation to amend the rate ordinance to include collection of kilowatt-hour tax. You are already in receipt of a draft ordinance to amend our rate ordinance to include a kilowatt-hour tax rider.

I will be present at the April 2<sup>nd</sup> City Council meeting to provide information and answer questions on the kilowatt-hour tax.

/sd

# **DETAIL INFORMATION OF POWER CHARGES**

**CITY OF OBERLIN**

**DECEMBER, 2000**

BELLEVILLE kW: 1,270  
BELLEVILLE kWh: 944.880

Distributed Generation (JV2) (These charges are included in the Pool Charges & are not based on final project costs)

Demand	5.538 kW	\$20.987.56
Energy	0.000 MWh	\$0.00

## **RICHARD H. GORSUCH PROJECT POWER:**

Base Demand Charge:	\$12.250000 / kW *	6,695 kW =	\$82,013.75
Power Cost Adjustment:	\$1.484590 / kW *	6,695 kW =	\$9,939.33
Previous Months Power Cost Adjustment:	(\$0.480752) / kW *	6,695 kW =	(\$3,218.63)

<b>TOTAL DEMAND CHARGES:</b>	<b>\$13.253038 / kW *</b>	<b>6,695 kW =</b>	<b>\$88,734.45</b>
------------------------------	---------------------------	-------------------	--------------------

Base Energy Charge:	\$0.018050 / kWh *	4,182,750 kWh =	\$75,498.64
Power Cost Adjustment:	\$0.002238 / kWh *	4,182,750 kWh =	\$9,361.00
Previous Months Power Cost Adjustment:	(\$0.000154) / kWh *	4,182,750 kWh =	(\$644.14)

<b>TOTAL ENERGY CHARGES:</b>	<b>\$0.020134 / kWh *</b>	<b>4,182,750 kWh =</b>	<b>\$84,215.50</b>
------------------------------	---------------------------	------------------------	--------------------

<b>Taxes:</b>			<b>\$8,624.80</b>
---------------	--	--	-------------------

			<b>\$0.00</b>
--	--	--	---------------

<b>Total Richard H. Gorsuch Project Power Charges:</b>			<b>\$181,574.75</b>
--	--	--	---------------------

## **SUBSTITUTE POWER:**

Demand Charge:	\$12.816454 / kW *	313 kW =	\$4,011.55
Energy Charge:	\$0.019471 / kWh *	215,066 kWh =	\$4,187.44
Taxes:		=	\$408.87
Adjustment for		=	\$0.00

<b>TOTAL SUBSTITUTE POWER:</b>			<b>\$8,607.86</b>
--------------------------------	--	--	-------------------

## **NEW YORK POWER AUTHORITY POWER:**

Demand Charge:	\$5.793383 / kW *	579 kW =	\$3,354.28
Energy Charge:	\$0.004947 / kWh *	258,517 kWh =	\$1,278.91
Taxes:		=	\$0.00
Adjustment for NYPA Transmission Refunds		=	(\$3,059.33)

<b>Total New York Power Authority Power Charges:</b>			<b>\$1,573.86</b>
--	--	--	-------------------

## **NEASG POOL POWER:**

Demand Charge:	\$8.396975 / kW *	10,042 kW =	\$84,322.56
Energy Charge:	\$0.017825 / kWh *	3,230,296 kWh =	\$57,580.10
Sale of Gorsuch Power	\$0.038711 / kWh *	(417,454.0) kWh =	(\$16,160.27)
Taxes:		=	\$6,270.62

Credit for Peaking Capacity sold to NEASG Pool		DECEMBER, 2000	\$-0.00
--	--	----------------	---------

Adjustment for			\$0.00
----------------	--	--	--------

<b>TOTAL POOL POWER:</b>			<b>\$132,013.00</b>
--------------------------	--	--	---------------------

## **NORTHERN POOL POWER:**

Demand Charge:	\$0.00 / kW *	0.0 kW =	\$0.00
Energy Charge:	\$0.028462 / kWh *	777,602.0 kWh =	\$22,132.17
Taxes:		=	\$1,103.70

<b>TOTAL NORTHERN POOL POWER:</b>			<b>\$23,235.87</b>
-----------------------------------	--	--	--------------------

**TRANSMISSION CHARGES:**

Transmission Charges:	\$0.001292 / kWh *	4,222,964.0 kWh =	\$5,456.03
Taxes:		=	\$272.09

**TOTAL TRANSMISSION CHARGES:**

\$5,728.12

**OTHER CHARGES:**

Reactive Charge:	\$0.330000 / kVAR *	616.3 kW =	\$203.36
------------------	---------------------	------------	----------

Service Fee Part A, 1999 Annual Retail Sales	108,232,109 kWh *	\$0.000125 * 1/12 =	\$1,127.42
---	-------------------	---------------------	------------

Service Fee Part B, Energy Purchases	9,609,111 kWh *	\$0.000380 /kWh =	\$3,651.46
---	-----------------	-------------------	------------

Taxes:		=	\$248.46
<b><u>TOTAL OTHER CHARGES:</u></b>			<b>\$5,230.70</b>

**MISCELLANEOUS ADJUSTMENTS:**

0

\$0.00

\$0.00

\$0.00

**FAA**

Interruptible Power:	71,766 kWh @	\$0.07529 /kWh	\$5,402.94
Fuel Adjustment:	71,766 kWh @	\$0.00500 /kWh	\$358.83

Taxes:			\$287.33
--------	--	--	----------

**WC PRESS**

Interruptible Power:	54,790 kWh @	\$0.07529 /kWh	\$4,124.89
Fuel Adjustment:	54,790 kWh @	\$0.00500 /kWh	\$273.95

Purchase Buy-Through Power			\$1,230.40
----------------------------	--	--	------------

Taxes:			\$280.72
--------	--	--	----------

**OBERLIN**

Interruptible Power:	54,790 kWh @	\$0.07529 /kWh	\$4,124.89
Fuel Adjustment:	54,790 kWh @	\$0.00500 /kWh	\$273.95

Taxes:			\$219.36
--------	--	--	----------

Adjustment for NEASG & JVS Backup Generation:			(\$27,808.72)
---	--	--	---------------

Adjustment for NEASG & JVS Backup Interruptible Power:			(\$1,439.12)
--	--	--	--------------

Taxes:			(\$1,458.55)
--------	--	--	--------------

**TOTAL CHARGES:****\$343,835.03****Load Information:**

This month's billing demand:	DECEMBER, 2000:	18,899 kW
------------------------------	-----------------	-----------

Prior year's billing demand for same month:		13,070 kW
---	--	-----------

This month's billing energy:	DECEMBER, 2000	9,609,111 kWh
------------------------------	----------------	---------------

Prior year's billing energy for same month:		8,313,684 kWh
---	--	---------------