At the request of the City Commission, city staff analyzed the requests made by the Citizens for Fair Piqua Utilities Pricing group. Our analysis provides how the utility currently functions, history, and the operational and/or financial impact of proposed changes.

A Staff Recommendation has been added to each item in the report based on surveys, analysis, and knowledge of the various software applications and financial impacts and limitations.

The City Commission will need to advise city staff of what changes, if any, to current policies and operations are desired and how to proceed with the financial and operational impacts.

**Lowering the price charged per KWH**

Several years ago, the City of Piqua, through the efforts of the Energy Board and the Piqua Power System, began planning the most efficient and economical way to provide and deliver electric to Piqua Power customers. The strategy was to move from a market driven purchase of energy to an asset driven. This was an important and beneficial decision because of the fluctuating costs of buying power on the open market. This is much like what we are facing currently with gas prices.

The most recent changes to electrical billing by the City of Piqua was a result of a rate study conducted in 2014 to move costs from the mostly market driven to the asset driven approach. In early 2015, customers with a billing question were encouraged to contact the Utility Billing Office to have their accounts analyzed and explained. As a result, over 500 customers took advantage of this service with only one error being found on a meter reading.

A number of issues were raised about the new rate structure and the following information was provided in 2015 to address these concerns. The 2015 response follows in bold italics:

*It is true that the base charges increased in 2015 for Piqua’s residential, commercial and industrial customers. What was missing was the Power Cost Adjustment or PCA. When comparing the old rates to the new rates, the PCA changed from a positive number of $0.0175 for all kilowatt-hours (kWh) consumed to a negative number of -$0.00731 for all kWh used. The current PCA value is listed under the special message section on your bill.*
750 kWh is considered by many in the electric industry to be a typical monthly average residential consumer. Therefore, when you input 750 kWh into the new rate calculation (including the current PCA credit), the result will be an increase of $1.74 per month or 2% over the rates that were in place in December of 2014. However, cold January weather and extra billing days due to the Holidays resulted in the majority of Piqua customers with energy consumption well over 750 kWh for January. The good news was that as consumption increases, your percentage of rate change actually decreases. In fact, when you reach 1,029 kWh, you are actually saving money compared to electric costs under the old rates.

The cost-of-service study completed by Sawvel & Associates, an independent engineering firm, in 2014 identified the need to update existing rates. As Piqua has moved from purchasing the majority of our energy from the market to owning portions of generating assets through our relationship with American Municipal Power (AMP), our cost to serve our customers changed. Piqua now has a diverse generation portfolio that includes clean-coal, natural gas and renewable (wind & hydro) resources. This long-term strategy should serve Piqua electric customers well for years to come with resulting stable and predictable generation costs.

Many Piqua businesses actually experienced a cost reduction with the new electric rates. Some had a slight increase, but most saw a reduction of up to 3% or more. The cost-of-service study recommended rate re-alignment as Piqua’s large consistent users of electricity were helping to cover the cost of serving Piqua’s residential customers. On September 23, 2014, the Piqua Energy Board recommended City Commission approval of the revised electric rates. The Piqua City Commission formally adopted the new electric rates on December 16, 2014. It should be noted that the Piqua Energy Board is comprised of an equal representation of Piqua residential, commercial and industrial customers, to ensure all customer class interests are fairly considered.

The rates developed in the 2014 study have been fully implemented and incorporate Piqua’s strategic move from a market-dependent power supply to a diversified power supply portfolio that includes clean-coal, natural gas and renewable wind, solar and hydro power generating resources. Over 20% of Piqua’s energy supply is generated from green, non-carbon emitting resources. In addition, the timely operation of Piqua’s combustion turbines has effectively reduced our customer’s power supply cost by 5-10% over the past four years. Piqua’s electric rates have not increased since October of 2015, the date of the last increase to Piqua’s Power Cost Adjustment (PCA). Power supply costs represent 75-80% of Piqua’s Power System budget each year.

Power System employees are currently working with Sawvel & Associates to complete an updated cost-of-service study by the end of 2019. Piqua’s electric rates are designed to cover the cost of operation of the electric utility. As such, Piqua’s electric rates are at-cost and do not include a profit-margin. Any reduction in rates for one rate class would have to be offset by a rate increase to another rate class. Power System employees are very sensitive to maintaining a cost-competitive utility. We consistently benchmark ourselves against nearby electric utilities. Recent rate comparisons show Piqua’s residential
electric rates to be competitive with Dayton Power & Light Co. and significantly below Pioneer Electric Cooperative, which are the two electric utilities closest in proximity to Piqua.

The Piqua Power System provides a marked advantage to its customers in the form of superior electric service reliability. Piqua was again recently recognized for Excellence in Reliability for significantly exceeding the average for all U.S. electric utilities for reliable electric service in 2018, its fourth straight year achieving such a designation. The Piqua Power System has achieved all this while working to drive down costs where possible. For example, over the last twenty years, the Power System staffing level has been reduced by 20 employees.

Piqua electric customers continue to enjoy not only competitive electric costs, but also, overall cost of services.

The current rates are as follows:

- **Residential:** Customer Charge ($/Month) - $15.00, Energy Charge ($/KWH) - $0.9969
- **Commercial:** Customer Charge ($/Month) - $20.00, Energy Charge ($/KWH) - $0.11110, Demand Charge (Over 5 KWH) - $15.90
- **Industrial:** Customer Charge ($/Month) - $65.00, Energy Charge ($/KWH) - $0.04750, Demand Charge (Over 200K KWH) - $15.15

**STAFF RECOMMENDATION:** Since the Piqua Power System is a non-profit operation, it is imperative that the rates are set in order to meet both operational and capital cost needs. Every five years the Piqua Power System conducts a rate study through the expertise of Sawvel & Associates to establish the lowest rates possible for customers while maintaining solvency and infrastructure for the system.

A new rate study will be completed by the end of 2019. Therefore, it is not recommended that rates be changed at this time.

**No further increases on water rates**

With the requirement from Ohio Environmental Protection Agency (OEPA) to replace the Water Treatment Plant built in 1925, the city began the planning and design to construct a new 6.75 million gallon (MGD) treatment plant and secure the most cost effective financing. In December 2014, the Ohio Water Development Authority (OWDA) awarded the city $45,667,800 Fresh Water Low Interest Loan (including planning and design costs) to develop the new plant. A significant component for approval of the funding was the requirement that water rates would be sufficient to insure that the loan could be repaid and meet with OWDA approval. Rate increases were implemented beginning in 2007 in order to build reserves to implement and conclude the project.

After many years of negotiations with the OEPA to deal with Sanitary Sewer Overflows (SSO) from the wastewater system, the city was required to correct the problem by 2020 when a new National
Pollutant Discharge Elimination System (NPDES) Permit would be required. City staff and consultants looked at several options trying to find the most cost effective solution to the problem. Ultimately, it required the upgrade and expansion of the existing Wastewater Treatment Plant to an 8.7 MGD facility with new peak hourly flow of 22.5 MGD. City staff again sought a low interest state loan from the Ohio Water Pollution Control Loan Program and in early 2017 a $53.3M loan access amount was awarded which resulted in a blended loan interest rate of 0.8% which equates to 70% of the loan being interest free because of the Biological Nutrient Removal Discount offered by the OEPA Division of Environmental and Financial Assistance (DEFA). This interest rate will save Piqua customers $21 million over the life of the loan. Like the Water Treatment Plant rates, the city had to demonstrate to DEFA that rates would be sufficient to repay funding for the loan life.

At this point, we do not know what the increases to future rates will be, however, the rates will likely need to be increased due to utility capital infrastructure replacement, emergency repairs, or changes in OEPA requirements. But in all likelihood, rate increases will be necessary to maintain the overall water, sewer, and storm sewer systems now and into the future.

**STAFF RECOMMENDATION:** The City of Piqua currently has debt service for loans received from the State of Ohio for the construction of a new Water Treatment Plant, the upgrade and expansion of the Wastewater Treatment Plant, and other capital projects of approximately $100 million which require repayments for next 20-30 years. The debt service along with annual operation and infrastructure requirements make it unrealistic to eliminate potential future rate increases.

**No disconnecting of services in months where cold temperatures are normal**

The current internal policy is not to disconnect customers when the temperatures are extremely cold.

**STAFF RECOMMENDATION:** Our current internal policy is not to shut off any customer during extremely cold temperatures during the winter months. Factors that play into this decision include temperature, wind chill, and weather conditions. Eliminating shut offs for months at a time would create serious payment problems for some customers and higher uncollected utility bills. No change to the current policy is recommended.

**Abolishment of fee for paying same day as shutoff because of a “two day processing time”**

The current policy is that payments must be received by the city the day before shut-off. Residential customer payments on the day of scheduled shut-offs are assessed an additional $20 fee. With customers paying through the city website, it generally takes two days before the payments are actually received by the city. Paying the City of Piqua through an on-line bank check request may take five to ten days before payments are received by the city.
**STAFF RECOMMENDATION:** To better ensure the $20 fee is not assessed, payments should be made in the Utility Billing Office by the date shown on the shut off notice.

**Acceptance of government assistance programs for the elderly and those on welfare/living assistance**

The city currently accepts payments from assistance programs such as HEAP and others. There is also a Senior Discount Program available and information is on the city website.

**STAFF RECOMMENDATION:** The city currently accepts payments from financial assistance programs. For example, the city received HEAP energy assistance payments in 2017 of $35,222, in 2018 of $37,975, and to date in 2019 of 34,517. The city is more than willing to accept any qualifying or eligible assistance program and will continue to research what options may become available to help customers. For example, the city is not eligible to participate in the Percentage of Income Payment Plan Plus (PIPP Plus).

**Level billing plans that doesn't require a whole year of on time payments beforehand**

Once customers establish a reliable payment record and we have annual consistent usage documentation, level billing can be implemented on an individual basis.

**STAFF RECOMMENDATION:** It would not be feasible for the city to establish a level billing without at least a year of historical data. In checking with other municipalities, not all municipalities provide year around billing leveling as the level billing program takes into consideration twelve months of consumption of the individual customer.

**Complete abolishment of “estimating” bills**

The city has utilized estimating of bills when either the water or electric was not accessible to be read. Some meters are located inside of residences and if access is not available the billing is estimated based on the same time period from the previous year. Inclement weather conditions previously prohibited reading of water meters while the ground was snow covered. Also, if extremely cold temperatures existed reading was prohibited due to opening a water meter box which exposed the meter to the extreme cold temperature and possibly freezing the water meter and shutting-off water service to the residence.

With implementation of the Advanced Metering Infrastructure System (AMI), the estimating of billings will hopefully be eliminated for the most part. Water meters are currently providing electronic readings to the Utility Billing Office and electric meters should be on-line later this year. Currently, approximately 2% of electric meters have to be estimated due to inaccessibility. However, there may be times when a meter fails to function or the signal is blocked that estimating may be required.
STAFF RECOMMENDATION: When there is a failure of the meter the only way to bill a residence is to estimate. The new AMI system will hopefully eliminate past needs to estimate bills, however, to completely abolish estimating would not be practical.

At least three week notice of billing statements before late fees occur

Billing and collection adhere to a very tight monthly schedule. Each month over 10,700 utility accounts are billed in three separate zones. Each zone has a distinct due date per month (Zone 3 = 10th, Zone 2 = 20th, Zone 1 = 30th). Two business days grace is allowed with a late fee applied on the third business day to unpaid accounts. Many months this is the 14th or 15th day from the due date considering weekends. Reminder notices that payment has not been received, for services provided the previous month, include the late fee and upcoming shut-off date. Notices are mailed seven to ten days before disconnection. Shut-off occurs approximately 23-26 days after bills are mailed.

Immediately following shut-off the next billing for this zone starts. The same process applies to all zones each month. To change the dates when penalties are applied could negatively impact the next billing process, daily operations, and cash flows.

STAFF RECOMMENDATION: Currently, late fees are imposed on the 15th day after the billing date with shut off implemented on the 22nd day. The Post Office provides the city with verification that the billings have been received by the Post Office on those dates. The city has no control on how and when the Postal Service delivers to homes. No change is recommended.

Payment plan options for those who cannot afford high bills

We currently provide a payment plan option for those customers who experience high bills due to leaks or proof of extenuating circumstances.

STAFF RECOMMENDATION: It is not recommended that the current policy change.

Notifications from utilities office when usage has doubled the month prior usage

With the AMI System, we now have the ability to alert customers when they experience a significant spike in their water consumption. As soon as the electric meters come on-line this year, we will be able to provide the similar information for those customers.

STAFF RECOMMENDATION: In the future the AMI system may aid in alerting the staff of possible high usage and leaks. When possible, customers will be notified to investigate their situation.
Abolishment of fees for checking to make sure equipment is working properly once a month

Only at the request of the customer to check the meter, is there a $50 pre-paid fee to test a water or electric meter. If the meter is found to be defective, the $50 fee is refunded. Both the Power System and Underground Utilities test about 10 meters each on average per year. It would not be practical or feasible to check every, or even a percentage of water and/or electric meters, which number almost 19,000, once a month under the current staffing levels.

STAFF RECOMMENDATION: It would not be possible to check approximately 19,000 accounts once a month or once a year without increasing staff or contractual arrangement which would be tremendously expensive and also require increasing rates. It is recommended that the current meter check policy remain in place. However, the Power System is planning to implement a periodic meter inspection program in the future.

Abolishment of charging for rain water overages

A customer’s storm water fee is based on how much hard-surface (impervious) is on a property. The fee is based on hard-surface because hard-surface generates runoff that has to be handled by the storm water system. Examples of hard-surface include roofs and driveways. Like water customers billed for each gallon used, storm water customers are billed for the amount of hard-surface on their property. In Piqua, we currently charge $6.70/month for every 5,400 square feet of hard-surface. The 5,400 square feet is defined in the ordinance as the Equivalent Residential Unit (ERU). The ERU is the measuring unit used by the storm water utility. Water customers pay per gallon, electric customers pay per kilowatt hour and storm water customers pay for each ERU.

Aerial data was used to measure hard-surfaces across the entire city and determine the ERUs. For the sake of simplicity, the ordinance states that all residential properties are assigned 1.0 ERU. Vacant land with no hard-surface is not charged a storm water fee. Commercial and industrial properties also pay $6.70/month for every ERU. For example:

A big box store has 200,000 square feet of hard-surface (roof and parking lot).

- \[ 200,000 / 5,400 = 37 \text{ ERUs (we round to the nearest ERU)} \]
- \[ 37 \text{ ERUs} \times 6.70\$/ERU = \$247.90/\text{month storm water fee} \]

The ERU fee can only be increased by the City Commission. However, a commercial or industrial monthly fee may change if the owner adds or decreases the amount of hard-surface. Residential fees can’t increase without commission action but will decrease to $0.00 if all hard-surface is removed from the lot. Among other things, the fees pay for:

- Street sweeping
- Leaf pickup
- Annual OH EPA Permit requirements
- Inspection and cleaning of the storm water system
- Large construction projects like the Shawnee Diversion sewer
- Storm water infrastructure maintenance

**STAFF RECOMMENDATION:** There are no rain water overage charges, only a set monthly stormwater fee of $6.70 for the Equivalent Residential Unit (ERU) that is billed to and the responsibility of the property owner. No change to this policy is recommended.

**Better billing transparency; breakdown every charge the consumer is billed for (graphs for water usage, “additional charges”, etc.)**

Our current billing statements provide readings, usage, and charges, but since the rates are bundled there is not a breakdown of fees. Utility rates are on-line or available in the Utility Billing Office.

**STAFF RECOMMENDATION:** Expanding the detail on the billing statement would lead to reprogramming software applications at a considerable cost and creating multiple pages of bills with increased postal and printing costs. No change is recommended to this policy.

**Emergency billing assistance for accidental injuries or sick leave**

We currently work with several agencies to provide assistance to customers in need such as Home Energy Assistance Program (HEAP) which is administered through the Ohio Development Services Agency (ODSA). Other assistance programs that residents/customers can pursue include Home Weatherization Assistance Program (HWAP), Summer Crisis Program, a component of HEAP, and the Heat Share Program which is administered by the Salvation Army. There may be additional local assistance from agencies such as the Piqua Compassion Network and Piqua Area Churches. Information on some of these programs can be found on the Public Utilities Commission website.

**STAFF RECOMMENDATION:** There are assistance programs available to qualifying customers which we are currently working with. No changes are recommended.

**Allowing options for other energy suppliers that citizens can choose from**

The Ohio Constitution Article XVIII provides for three distinct home rule powers – local self-government, police powers, and ownership and operation of public utilities. The City of Piqua exercised the ownership of electric service in 1930.

The Piqua Power System is currently the only option for electric service within the City of Piqua. Long ago, Dayton Power & Light (DP&L) began removing service from Piqua and currently have no service lines within the city.
The City of Piqua’s electric supplier was originally the Dayton Power & Light Company. Upset with rising electric costs, Piqua built the original coal-fired power plant during the Great Depression as a competitive alternative to DP&L. Over the years, Piqua expanded its electric power plant and distribution system and eventually the vast majority of the customers originally served by DP&L chose to switch to the City of Piqua in order to reduce their electric costs and/or improve electric service reliability. In 2014, the final DP&L electric customer located within the City of Piqua corporation limits switched their electric service to the City of Piqua. DP&L had filed with the Public Utilities Commission of Ohio (PUCO) to voluntarily remove their electric facilities within the City of Piqua, as it was no longer economical to serve the remaining handful of residential customers that had not switched over to the City of Piqua.

Absent DP&L electric pole and wires in Piqua, it is no longer possible for customers to connect to a system that no longer exists. As a result, Piqua customers are no longer able to secure their electric distribution and transmission services through DP&L. The City of Piqua provides a fully-bundled electric service to our customers that include generation, distribution and transmission services. Piqua customers often incorrectly receive telephone calls from telemarketers offering cost-saving alternatives to their electric service. This is an option that is not available to any of the municipalities or cooperatives in the State of Ohio. When Ohio’s investor-owned utilities deregulated electric service in 2001, all the municipal electric systems and electric cooperatives chose to continue to provide a fully-bundled electric service. As a result, all of Ohio’s electric municipalities and cooperatives provide a fully-bundled electric service which includes generation, distribution and transmission service components.

For a competitive electric service provider to be able to provide service in Piqua, that supplier would need to possess a franchise agreement with the City of Piqua. Allowing additional electrical service providers would most likely cause rate increases for Piqua Power customers, eventually leading to a significant reduction in the utilities credit worthiness and potential insolvency of the city’s Power System.

Piqua has planned for the energy needs of our customers by entering into a number of long-term power supply contracts with American Municipal Power. These projects have 25 to 30-year lifespans and include energy generation facilities known as Prairie State (clean coal), Fremont (natural gas), Meldahl, Greenup, Smithland, Cannelton, and Willow Island (hydro plants) and most recently the AMP Phase II Solar project which allowed for the construction of the Staunton and Manier solar projects. The City of Piqua is obligated to comply with these contracts and may face legal and/or financial liabilities for failure to fulfill these contracts.

**STAFF RECOMMENDATIONS:** Voluntary deregulation of municipal electric is not recommended due to the negative financial impact it would have on the Piqua Power System resulting in potentially required increasing rates to the remaining Piqua Power System customers or resulting in the sale of the Power System to an investor owned electric company. In addition, the reliability of service ratings and repair response times by the Piqua Power System are among the best in the nation. Turning over electric
service to an investor owned electric company would greatly impact these attributes in a tremendously negative fashion.

**Property owners who have multiple buildings in different zones can pay all utility bills at once with no late fees**

There are three zones utilized in the billing process which are billed at three different times of the month based on property location within the city. Based on our utility software limitations and city population, it is currently not feasible to assemble individual properties from different zones into a single once a month billing.

**STAFF RECOMMENDATION:** This is not recommended due to software limitations and cost required to upgrade the financial software which could result in increasing rates for all customers.

**Complete separation of water/sewer bill from electric**

It is unclear the purpose of this request, but separate billings would result in additional costs for mailings and printings for all customers.

**STAFF RECOMMENDATIONS:** This serves no real purpose and is not recommended since each bill includes a breakdown of each utility.

**OTHER ISSUES BROUGHT UP DURING PUBLIC MEETINGS:**

**Waiving of water and wastewater fees for pool fill-ups**

Currently, the city charges for both water and wastewater when pools are filled. After surveying a number of Miami Valley communities. No municipality waives the water fee for pool fill-ups. However, almost half surveyed waive the wastewater fee.

**Staff Recommendation:** Staff recommends waiving the wastewater fee for pool fill-ups. A new policy for pool filling will be in place prior to the next summer season.

**No utility shut-offs for payments short a few cents**

Some citizens alluded to the fact that customers’ utilities were shut off when they were short on their payment by 10 cents or 50 cents. This is not the case, and if a customer is short on a payment under a certain amount, their utilities are not shut off. However, their shortage was carried over to the next payment period. The allowance amount for shut offs is not advertised for obvious reasons.
Staff Recommendation: City employees have contributed to and created a fund to pay the utility bill payment shortage when customers are legitimately short a small amount of money.

Purchase Amp Meters that can be checked out to customers to check appliances

Currently, the city has no Amp Meters available for customers to utilize to check appliances.

Staff Recommendation: The Piqua Power System will purchase a number of Amp Meters that can be checked out by customers to determine their appliance usage.

Trash service discontinuance for vacant homes

Currently trash service is not allowed to be discontinued. This policy was enacted due to trash service violations.

Staff Recommendation: Because of the past violations and the difficulty of tracking the trash use, no change in the current policy is recommended.

Stormwater fee property tax assessments for non-payments

Stormwater bills are mailed to the property owners, but there is no property tax assessment for property owners living outside of Piqua for non-payment. And, in some cases, the property owner passes the bill on to a renter who may be buying the property on a land contract (rent-to-own). Should no party pay the bill, the new property owner eventually assumes all money owed.

Staff Recommendation: The city should work with Miami County to allow annual assessments to property taxes of the amount owed from non-paid stormwater fees. Currently, this option is not legally available.