

AN ORDINANCE CONCERNING AN INCREASE TO THE RATES FOR ELECTRIC SERVICE, REPEALING AND REPLACING TITLE 8 CHAPTER 6 SECTION 6 OF THE MUNICIPAL CODE OF THE CITY OF GALLUP IN ITS ENTIRETY AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, Ordinance No. C2016-4, codified as Gallup City Code §8-6-6, established the City's current electrical rate schedule; and

WHEREAS, Subsection K of that ordinance contains a "Purchase Power Cost Adjustment which provides that the rates the City's customers pay for electricity be automatically increased each year on July 1 by the same percentage as the rate the City will pay to purchase electricity from Continental Divide Electric Cooperative, Inc. (CDEC) will increase pursuant to the Power Purchase Agreement between the City and CDEC; and

WHEREAS, Subsection K does not provide for the City's electric rates to be increased to reflect the increases the City will pay to purchase electricity from CDEC after the last increase was imposed on July 1, 2021; and

WHEREAS, Subsection L of the ordinance provides for an additional rate adjustment equal to the increase or decrease in the Consumer Price Index (CPI-U) to automatically be made annually on July 1, unless the City Council affirmatively decides by June 1 not impose that rate change for the upcoming fiscal year; and

WHEREAS, the CPI-U adjustment to rates mandated by Subsection L is effective in perpetuity unless the Ordinance is amended; and

WHEREAS, the CPI-U published by the Bureau of Labor Statistics on May 11, 2022 increased by 8.3% during the preceding twelve month period; and

WHEREAS, the City Council desires to continue the annual adjustments made to its rate schedule that pass through to its customers the changes in the price the City pays to purchase electricity; and

WHEREAS, the price the City pays to purchase electricity from CDEC will increase by 1.89% on July 1, 2022 which would result in a 10.19% increase to the City's electric rates beginning on July 1, 2022 if both a purchase price adjustment and a CPI-U adjustment are imposed; and

WHEREAS, the City Council recognizes the financial burden that such an increase would impose on its customers, particularly when combined with the increase in the cost of all goods and services that consumers are experiencing and in light of the City's urgent need to increase its water rates; and

WHEREAS, the Electric Department forecasts that it would have sufficient revenue during Fiscal Year 2023 if the CPI-U of 8.3% is not imposed effective July 1, so long as a Purchase Power Cost increase of 1.89% is imposed.

NOW THEREFORE BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF GALLUP, that

Section 8-6-6 of the Gallup City Code be, and hereby is, repealed and a new §8-6-6 is adopted that provides as follows:

8-6-6: ELECTRIC RATES

The charges for all electricity consumed shall be at the following rates:

- A. **Residential Service Rate:** Applicable to electric service to single-family dwellings, individual farm units, individual apartments, or separate living quarters where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein.

Energy Charge:	
First 50 kWh	Included in minimum monthly service charge of \$8.35
Thereafter all kWh	\$0.1391 per kWh

- B. **General Service-Small (Nonresidential) Rate:** Available for single and three phase service for non-residential service. This rate applies to customers whose consumption is less than 40,000 kWh per month or whose demand is less than 100 kW.

If the demand is over 100 kW per month for three or more consecutive months within any twelve (12) month period, or consumption is equal to or greater than 40,000 kWh, service will not be provided under this rate.

Energy Charge:	
First 100 kWh	Included in minimum monthly. service charge of \$16.71
Thereafter all kWh	\$0.1488 per kWh

- C. **General Service-Medium (Non-Residential) Rate:** Available for single and three-phase service for non-residential service to customers whose monthly energy consumption is greater than or equal to 40,000 kWh or whose demand is 100 kW per month for three consecutive months within any twelve (12) month period.

Demand charge is the sum to be paid by large electric consumers for their peak usage level for which the Electric Department recovers the cost of providing facilities to accommodate the peak. Peak demand is the highest 15-minute average load measured in kW during the monthly reading period.

Demand Charge:	
First 100 kW or less	Included in minimum monthly service charge of \$1,824.33.
Additional Demand	\$15.59 per kW

Energy Charge:	
All kWh at	\$0.0951 per kWh

D. **Industrial Contract Rate:** An industrial rate is available to customers whose demand exceeds one thousand five hundred (1,500) kW of capacity per month. Service shall be metered at the City's available distribution voltage of thirteen thousand two hundred (13,200) volts (primary metered).

Additionally, time of use rates may be made available to those customers whose monthly demand exceeds five hundred (500) kW per month for three (3) consecutive months in any calendar year. Industrial and/or time of use rates will be determined on a case by case basis, when after consideration, and review of all circumstances, good cause exists, and such rates are fair, just and reasonable, and are not preferential or discriminatory to existing or future customers. Some factors that will influence these rates are as follows:

1. **Economic Development:** Reduced rates may be negotiated with a large industrial user for a period of up to five (5) years to promote economic development in the city.
2. **Load Factor:** Load factor is defined as the ratio of the average demand to peak demand during the monthly billing period and will be a major consideration in determining the rate.
3. **Power Factor:** Rate will provide an incentive for desirable power factor (ratio of kVAr/kW). The City is required to maintain a system-wide power factor between 0.97 lagging and 0.99 leading.
4. **Capital Outlay:** Capital outlay required by the city to extend service to the customer.
5. **Time Of Use:** Rate based on time-of-day that energy is consumed.
6. **Negotiations:** Negotiations with the City's electric supplier.

E. **Municipal Service Rate:** Available to all facilities owned or operated by the City of Gallup, except as provided by subsection F (Municipal Service Utilities Rate).

Energy Charge:	
All kWh at	\$0.0688 per kWh

F. **Municipal Service Utilities Rates:** Available to City of Gallup owned utilities that ARE operated by the City or a contractor.

Wastewater Treatment Plant

Energy Charge:	
All kWh at	\$0.0962 per kWh

Metered Facilities Serving the City Water System

Energy Charge:	
All kWh at	\$0.0962 per kWh

- G. **Outdoor Area Lighting:** The following monthly rental rates shall apply to City-owned and operated fixtures located on private property that provide outdoor area lighting:

150 Watt*	\$8.25 per month
250 Watt*	\$19.04 per month
400 Watt*	\$23.83 per month

*High Pressure Sodium, Metal Halide, or LED equivalent

- H. **Metered Street and Highway Lighting not owned by the City of Gallup:**

Energy Charge:	
All kWh at	\$0.1315 per kWh

- I. **Effective Date of Rates:** The rates, fees and other charges for electric service applicable to all customers of the City of Gallup not established by contract shall be effective for service rendered on and after July 1, 2022.
- J. **Taxes:** The following shall apply to all rates contained in this section: Billings under these schedules shall be increased by an amount equal to the sum of the taxes payable under the New Mexico gross receipts tax act and of all other taxes, fees or charges (exclusive of ad valorem, state and federal income taxes), payable by the city and levied or assessed by any governmental authority on the electrical service rendered or on the right or privilege of rendering the service, or on any object or event incidental to the rendition of the service.
- K. **Purchase Power Cost Adjustment:** Unless such adjustment would be contrary to the terms and conditions of a contract providing for an Industrial Contract Rate, the rates specified in this Ordinance will be automatically adjusted each year on July 1 by the same percentage as the change in the price the City will pay for electricity during that fiscal year pursuant to the Power Purchase Agreement by which the City purchases the majority of its electricity. The Purchase Power Cost Adjustment shall be reflected on customer bills beginning with the first full billing cycle after July 1
- L. **Consumer Price Index Adjustment:** Unless such adjustment would be contrary to the terms and conditions of a contract providing for an Industrial Contract Rate, beginning on July 1, 2023, the rates specified in this Ordinance will be automatically adjusted each year on July 1 by the same percentage as the change in Consumer Price Index for All Urban Consumers (CPI-U) before seasonal adjustment during the twelve month period ending in February that is contained in the Bureau of Labor Statistics report issued during the month of March. On or before April 15, 2023, and every year thereafter, the city manager or designee will provide the City Council with a

rate schedule that includes the changes due to the Power Purchase Price Adjustment and the Consumer Price Index Adjustment. The Consumer Price Index Adjustment will automatically go into effect on July 1 unless by June 1 the City Council, by resolution, votes otherwise. The Consumer Price Index Adjustment shall be reflected on customer bills beginning with the first full billing cycle after July 1.

M. **Rates Subject to Change:** The rates provided for in this Ordinance are subject to change as may be recommended by an independent and professional cost of service based rate study as authorized by City Council.

Effective Date: This Ordinance shall become effective thirty (30) days after adoption as provided by Gallup City Code §1-6-10.

PASSED, APPROVED AND ADOPTED this 24th day of May, 2022.

CITY OF GALLUP, NEW MEXICO

By: _____
Louis Bonaguidi, Mayor

ATTEST:

Alfred Abeita II, City Clerk