Chambersburg Electric Customers

Town Council Approves Third Electric Rate Reduction in a Row

These Frequently Asked Questions (FAQ) Have Been Provided to Explain our Rates and Policies

On September 8, Chambersburg Borough's Town Council approved a recommendation of the Electric Department to lower rates and to update the Borough's local rate tariffs in November 2014 for October 2014 use of electricity.

Chambersburg is a unique community. Pennsylvania's only municipal natural gas utility, owned and operated by the citizens of the Borough; Chambersburg is also Pennsylvania's largest municipal electric utility, and the only one that owns and operates generation stations. Chambersburg provides natural gas, electricity, water, sewer and trash for the residents and businesses throughout most of the Borough. Under local control, rates, policies, etc., are all decided by Chambersburg Town Council.

Not every property in Chambersburg is served by the Borough Electric Department.

Chambersburg "shops" for the best wholesale electricity on the market on behalf of its 11,150 or so customers. We shop for you. Recently, the Borough has had great success shopping for wholesale electricity. Further, the power plants have been bringing value back to the Borough including the landmark Blue Ridge Landfill gas to energy plant, which is providing low cost clean renewable energy for all of our customers. Chambersburg's Electric portfolio contains about 15% recycled green energy.

With the 2014 refreshed base electric rates, the Borough's fluctuating Power Supply Adjustment (PSA) will be reset to zero and an average of a 3.7% rate reduction will be implemented across the board.

RATES: Effect on Average (1,000 kWh) Residential Customer by Proposed PSA Change
Approved Average Cumulative 3.7% Rate Reduction for 2014

PSA Change	Average Residential Elec. Bill	$/month Effect
2012 PSA	$114.73	$0 (under 2012)
May/2013	$109.48	-$5.25 (-4.6%)
November/2013	$104.23	- $10.50 (-9.2%)
November/2014*	$100.90	- $13.83 (-12.1%)

* - Includes rate "true up" which resets fluctuating PSA back to zero

These are typical results for a residential customer using an average 1,000 kWh/month, your monthly use and results may be different

Chambersburg is proud to be nationally recognized as a leader among public power systems. We were recognized as a Reliable Public Power Provider (RP3) by the American Public Power Association.

Jeffrey Stonehill, Borough Manager, Director of Utilities

1. Who sets the rates for electricity for Borough customers?

   Pursuant to State law, the Chambersburg Town Council has the authority and responsibility for setting the rates, charges, fees, and policies of all Chambersburg utilities. The Chambersburg Electric Department is a Federal Energy Regulatory Commission (FERC) licensed utility not generally under the jurisdiction of the Pennsylvania Public Utilities Commission (PUC) although we must comply with all State laws.

2. Who is responsible for determining the correct rates?

   Staff, using internal cost of service rate training, industry standard rate development and maintenance practices of the American Public Power Association (APPA), and in consultation with the published wholesale rates by the PA Public Utility Commission (PA PUC) make recommendations to Council who is ultimately responsible for determining and implementing correct electric rates.

3. When did we last change rates?

   Rates were last changed by a 5% decrease through the Power Supply Adjustment (PSA) factor in November of 2013 and before that the retail rates were also lowered in the same way about 5% in May 2013. Prior to 2014, the Borough had not reset the PSA to zero and updated the base rates since 1997.

4. Why are we changing rates now?

   Electric rates are proposed to be lowered one more time by approximately 3.7% for the foreseeable future primarily due to the good performance of the power supply portfolio purchasing master plan that Council implemented about three years ago. Power supply costs have dropped under the plan and the Borough is merely passing those savings back to its customers.

5. How do we know that these are the correct changes, as they are very complex?

   It's true that the rate schedules are very complex and difficult to understand. The Borough's electric utility industry-experienced and trained staff manages the budget and monthly performance indices, including the work performed by outsiders such that we can reasonably ensure a match between revenues and expenditures for the Electric Department as a whole and by rate class of customer.

6. What if we make a mistake and change the rates incorrectly?

   The Power Supply Adjustment (PSA) Factor still in place from the 1980's was designed and originally intended to collect or refund those costs of power supply that have changed since the last base rate adjustment, those base rate charges which are specifically shown in the Ordinance 135-15. If the Borough under collects needed

revenues during an annual period, it is allowed through the Ordinance to raise the PSA (135-16) to re-collect those additional costs that it incurred. If the Borough over charges its customers for the costs of power it collected through the base rates, then the Borough refunds the money to all of its customers through the mechanism of the PSA. Unless there are extenuating circumstances like those experienced in the 2007-2013 time periods, adjustments to the PSA are usually made to last a year and are intended to collect the costs to within a + or - 3% bandwidth of the "perfect PSA" (that which looking back or forecasted would be considered ideal within our range of accuracy to predict).

7. Do people get to choose their own electricity suppliers?

   Borough electric customers have the intrinsic advantage that all of its approximate 11,150 customers, under one umbrella, can be shopped at wholesale prices in the market place. The Borough electric procurement team shops on behalf of the whole customer group to achieve the lowest possible price for marketplace electricity. When we do this right, it will usually yield saving as a whole when compared to individuals shopping at retail prices in the marketplace.

   #weshop4u

   Per State law, individual electric customers served by the Borough cannot shop for power on their own.

8. Would they shop for electricity if they could?

   If it were possible for individuals to shop for power in Chambersburg, it is likely that they could find some market power cheaper for perhaps a short term but it does come with the inherent market risks and uncertainties as we learned in 2013 winter's "Polar Vortex". It is unlikely that a shopper could find a long term comparable sustainable power rate as they presently enjoy now that Council has adopted the portfolio of energy products including a 17% renewable energy portion as measured in 2013.

9. If not, how would they try to compare these rates to other suppliers?

   Of course, we are all shoppers of sorts. With the proposed rate decrease and the PSA being reduced to zero, customers can better compare the total cost per kWh in the Borough to those of total cost outside the Borough. Outside the Borough there is a "Price to Compare" on their electric bills which is the PA PUC mandated "shopping" portion of their bill used to purchase generation and transmission services. In Chambersburg, however there is one energy charge for each class of customer and with a demand rate similar to those utilities outside Chambersburg, but the rates are set inside Chambersburg to collect all the costs for generation, transmission, delivery of the power to customers, and customer services so it is not easily comparable except on the whole.

10. How would Chambersburg compare?

    If we were to compare only the shopping components as of this writing, the lowest fixed "Price to Compare" available outside the Borough as found on the internet is about $0.0747 or 7.47 cents per kWh (unit of energy) and in the Borough for the same transmission and generation services is estimated at $0.066/kWh or 6.6 cents per kWh. Variable rates are available outside the Borough but customers carry the full risk of short term pricing volatilities.

11. How would customers know if they compare well?

    Customers can best compare Chambersburg Electric to their outside neighbors by both customers dividing their total dollar ($) value charged for electric by the number of units measured in kWh for the billing period usually about one month. This calculates the cost per kWh ($/kWh).

12. How would the Borough know if they compare well?

    The Borough can tell how well our retail rates compare on price alone by totaling our rates and cost per kWh by rate class and at various usage levels and then comparing our results to the same calculated total cost and per kWh by class and usage level for other electric utilities and municipalities. The PA Municipal Electric Association provides an updated comparative graph in September of each year. Chambersburg's outstanding power delivery reliability when compared at nearly the same price usually far exceeds that of surrounding PA electric utilities, thereby offering a greater value to our residential, commercial, and especially our industrial customers who would in a less reliable utility typically lose profits to waste with every electrical outage.

13. How did the consultants propose the current rates?

    The consultant along with Electric Department staff conducted a cost of service rate study. The outcomes are intended to set base rates by class of customer (domestic, secondary power, primary power, high voltage) that when base rates and PSA are properly established the revenue generated by class will be applied/collected fairly, while providing the electric enterprise fund with sufficient revenues to sustainably operate the department over the long term while also building sufficient reserves to meet Council determined reserve margin guidelines, which change budget to budget.

14. How will this rate change affect the average single family residential electricity customer?

    The average non-heating domestic or residential class of customer would see a rate reduction of approximately 2.5% as a result of the proposed rate ordinance change. The

average domestic heating residential class of customer would see an even greater reduction of just over 5% (5.1%).

15. Do these rate changes do anything to encourage conservation or alternative energy?

    The electric rates in general do not encourage or discourage conservation or alternative energy, although there are existing rate schedules updated and proposed for commercial and industrial customers that encourage energy efficiency by a customer lowering their on-peak demand and usage. Also, Chambersburg adopted a Qualifying Renewable Energy Generator (QREG) "net metering" rate in 2009 in cooperation with homeowners interested in solar energy. Since then, we've added one larger commercial test installation. There are about 12 residential and commercial roof top installations with over 80 kW of connected solar power.

16. Should we be encouraging conservation or alternative energy?

    Staff works individually with interested customers who desire to pursue conservation and alternative forms of energy. In addition, staff works to determine ways to save energy on our own buildings reducing un-necessary wasted energy and costs. Energy conservation makes sense and staff often pursues at least the investigation of applicable forms of renewable energy. The three-party (Blue Ridge Landfill, PPL Renewable Energy, Borough of Chambersburg) Landfill Gas to Energy Plant is an award winning (US EPA LMOP "2013 Project of the Year", PA DEP "Governor's Award") example of the fruits of this labor.

17. What about the issue with landlords and tenants and skipped bills; does this rate change effect this issue?

    The proposed domestic rate reduction does not directly affect the landlord/tenant policy or issue but may indirectly, by making electricity more affordable, help reduce potential delinquent accounts and those overdue funds needing to be picked up by landlords.

18. Are you changing the security deposit formula or system?

    There are no changes being proposed in the Electric 135 Ordinance that affects the security deposit formula or system as found in other Ordinances.

19. What about the issue with the prohibition on winter disconnection; does this rate change affect this issue?

    There are no changes being proposed in the Electric 135 Ordinance that affects the prohibition on winter disconnection of electric service as covered under other Ordinances.

20. Are you changing the prohibition on winter disconnection?

    No, there is no change to that existing Ordinance.

21. How are we going to inform the average person about these changes?

    The Borough plans to advertise the Ordinance for 30 days. Also, there will be a utility bill insert as well as an announcement on the Borough's web site.

22. Are their electricity bills going to appear wildly different?

    The intent of rolling out new rates after the cost of service study, adjust slightly the electric rates using the results, and lower the rates at the same time is so that virtually everyone will at least see the same rates and most everyone will see a rate reduction. On average the rate reduction expected across the board of all rate classes in Chambersburg is approximately 3.7%

23. Might this change cause concern or confusion?

    There is no known cause for concern or confusion. The practice of maintaining electric rates to be cost-based as is being done here is a widely accepted practice and is recommended by the APPA to be completed at a minimum of 2 to 5 years depending on financial circumstances. The fact that Chambersburg is proposing to lower rates, while at the same time re-adjusting them slightly to updated more cost-based should actually reduce concern of cross-subsidization and confusion.

24. What is a PSA? Is a PSA even needed? Do other electric companies have PSA?

    PSA is short for Power Supply Adjustment. The PSA concept was first implemented in Public Utility Commission (PUC) regulated utilities in the 70's and 80's as energy prices first became quite volatile. The cost and time it took for rate cases to be heard and decided by the PUC in those early days were expensive and extensive. So that PA utilities could collect their approved rate revenues more nearly on time, the PUC gave PA utilities approval for a factor mostly known as the Energy Cost Rate or ECR. The ECR would be approved by the PUC as a factor of energy cost terms that can be used to collect or return money over-collected for power supply costs. The need for such an ECR in a competitive marketplace subsequent to the PA (Power) Competition Act of 1996 went away. PA Utilities subsequently filed to delete their ECR factor but the need in Chambersburg is still relevant and appropriate. If the Ordinance 135-15 Rates is approved by Council then the cost-based energy charges are placed fully in the base rates and the PSA will go to zero until such time that there is a need to collect justifiable un-collected power supply costs or refund the over-collection of power supply costs.

25. What is a demand rate, energy rate? Is a demand rate even needed? Do other electric companies have a demand rate?

    For larger, non residential customers, electric utility companies typically charge for electricity using a demand rate and an energy rate. The demand portion is the rate or speed of energy used and can be likened to miles per hour in a car (rate of speed). The peak metered demand (kW) is multiplied by the cost ($) per unit of the demand metered. The energy portion billed is the total units (kWh) consumed in the period, usually a month, multiplied by the energy rate ($/kWh). The energy portion can be likened to the total miles driven or total energy used in the period. Fuel efficiency for a utility is similar to that of a car. If you drive with jack rabbit starts (high demand, short time) you will pay more to get to your same destination (more gas). The "demand rate" is a line item on the non-residential bill that is set to pay the utility back with margins for its expenses related to the peak use of or the peak capacity of the equipment used and needed to deliver the energy specifically to the customer who is taking service and paying the bill. As one would imagine the more facilities and cost therefore needed to deliver more power over a metered window of time to a location/local user would cost more. Likewise, the less peak-use impact a customer has on the delivery facilities and associated cost over the same metered window of time impacts a lesser cost to a location/local user. The two rate collection mechanisms (demand and energy charges) work together to accurately and fairly collect costs for the delivery of electric service.

26. Why do we have so many different electric rates?

    The various customers served typically use electricity quite differently. Some are very predictable like domestic or residential customers while others are very unpredictable and more impactful on the Borough's costs of doing business. Rate schedules are typically designed to reflect the costs of delivering power to the various voltage classes of customers. For example, a residential customer requires the use of all of the Borough's transmission, substation, and distribution systems to receive dependable electric service and as such are billed an appropriate amount for use of all the delivery equipment and energy. Whereas an industrial customer taking service at high voltage would not be expected to pay for Borough facilities that it doesn't use (substations, distribution). Transmission voltage customers pay for their own internal delivery expenses and are therefore not paid to the Borough. That is one reason why high voltage power costs less per unit of energy than that of a residential customer. There are a set of other rates in the Borough for those in-between size and lower voltage customers.

27. Can we not just simplify our rates like water or gas rates; is it not all just the same?

    We could simplify the rates somewhat like gas and water departments but there are significant capital cost differences in the electric delivery system as compared to the delivery of gas or water. This simplification would open up the Borough to a debate on "cross-subsidization". An example of that would simply mean a customer with lower

actual costs might then be paying too much to help the other customers who would then be paying too little toward their costs.

28. Do large industrial customers such as TB Woods pay a special rate? Do they get special treatment?

    Industrial customers, such as T B Woods, are not getting special treatment but the same treatment as all the other customers. The electric "Master Plan" or "Portfolio of Energy Products" was to be the mechanism to lower rates in 2013 after the 10-year DTEET power supply contract. Some deferred rate collection relief during the same rising cost of electricity time period (2003-2009 DTEET Contracts) that the present staff and Council granted later to all customers (starting in 2010) was placed in their PSA. Council moves in an attempt to keep industry and Borough vibrant. Any revenue deferral for all customers was collected through the standard PSA (Electric 135-16 PSA) whereas industrial customers may be a transmission voltage customer in a class all its own, received its rate collection deferral values through a different mechanism called the transition credit in the LCR/LSC Rate Schedule. The revised Ordinance 135-15 deletes the old Load Curtailment Rider as was anticipated in the previous ordinance and blends the two existing High Voltage (HV) Rate customers into one HV class with an identical PSA-HV (Electric 135-16 B PSA-HV).

29. I heard a rumor that electricity in the area outside the Borough is much cheaper than inside the Borough.

    Perhaps it was much cheaper outside the Borough during the years of the high-cost DTEET contract and the reduced Borough-generation years between 2009 and 2012 but the rates are highly competitive now that the Borough is cost averaging the rates down using the multiple power block purchasing approach over differing time periods. This approach is common in very large utilities and has potential to reduce rates in Chambersburg below those of our surrounding utility neighbors as they begin to update and renew their aging delivery infrastructures. In August of 2014 soon after the Council meeting where a 3.7% rate reduction was discussed for Chambersburg, West Penn Power (WPP), a First Energy Company announced an overall 8.4% increase in distribution rates "to cover the costs of continued system improvements" and "including infrastructure enhancements". Chambersburg is lowering rates at this time while continuing to improve the system as it has done for most of its 120-year history. If the WPP rate case is approved as filed, the average WPP residential cost for a 1,000 kWh/month consumer will rise to $106.09/month (Pittsburgh Business Times, August 4, 2014, Updated August 5, 2015, 8:29 AM). In Chambersburg, if Ordinance 135 is approved as proposed, the average residential cost for a 1,000 kWh/month consumer will drop to $100.90/month or 4.9% below that of WPP.

30. Why can't I switch to or from Borough electricity? Why does my neighborhood not have street lights and why do you not force WPP to install them in my area?

    There are a few longstanding issues and an old agreement governing some of the bordering utility service areas surrounding Chambersburg and with the West Penn Power (WPP) electric systems. For the most part and unless a future agreement to the contrary is made, most customers in the Borough cannot switch their wires to be served by a different utility. The Electric Department desires to serve all customers in the Borough in order to give them the same superior power reliability as is found on the Chambersburg system. Further there are some underground delivery sections in the Borough where WPP has not installed street lighting as would be desired. Staff is looking into what can be done to improve that situation.

31. Do Borough buildings pay the same for electricity as everyone else or do they get a special deal?

    No special deals. The Borough pays a Council-approved electric rate just like everybody else.

32. Do Borough employees pay the same for electricity as everyone else or do they get a special deal?

    No special deals. The Borough employees pay a Council-approved electric rate just like everybody else.

The Borough will post these Frequently Asked Questions (FAQ) summary on the Electric Department page at the Borough's website www.chambersburgpa.gov Also, feel free to call Ron Pezon in the Electric Department at 261-3238 if you want help going over your new electric rates or come by and see us with your electric bill.