

RESOLUTION NO. 07-2020

**A RESOLUTION OF THE AUBURN BOARD OF PUBLIC WORKS AND SAFETY
TO SUSPEND THE DEMAND RATCHET FOR
CUSTOMERS OF THE AUBURN ELECTRIC COMPANY**

SUMMARY

This Resolution is entered into to authorize the temporary suspension of the Demand Ratchet that is in place for certain customers in the following categories:

- Large General Services (Code 39)
- EHV High Voltage Large Power Service (Code 40)
- LP Large Power Primary and Secondary (Codes 41, 42)
- LPS Large Power Services Primary and Secondary (Codes 43, 44)
- EHP High Voltage Large Power Service (Code 45)
- EHPT High Voltage Large Power (Code 45T)

Said waiver is proposed because it is contemplated that the Demand Ratchet charge would pose an undue financial hardship on critical business during a time of crisis, when substantial portions of customers are shut down or have substantially scaled back production. The Demand Ratchet charge suspension is being requested for consumption occurring during a six (6) month period beginning retroactively from April 1, 2020, through the end of September 2020. The request is made as a result of Governor Holcomb's Executive Order, constant changing federal guidelines, and the determination that certain industries, like automotive industry, are non-essential industries and on hiatus. Further, a request is made to re-set the demand Ratchet on October 1, 2020 in accordance with the best business practices of the Utility.

The Auburn Common Council is passing the same Ordinance in support of the Demand Ratchet Suspension.

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WHEREAS, a vast majority of the Auburn Electric Industrial and Commercial Customers employ individuals who live within the City of Auburn, Indiana and the surrounding community; and

WHEREAS, Industrial and Commercial customers have furloughed and laid off significant numbers of employees and many entities have temporarily closed and / or scaled back operations to a fraction of normal capacity; and

WHEREAS, it has been reported that unemployment could soar in the near future to above 25%, which would be a record-breaking number; and

WHEREAS, it is incumbent upon the City of Auburn, Indiana to review and address issues associated with the supply of electrical power to the Industrial and Commercial entities; and

WHEREAS, to that end, the City of Auburn has within its rate structure a mechanism called the “Demand Ratchet”. The Demand Ratchet is a part of the rate structure and is in place to reduce the risk associated with serving customers that may have large swings in their actual demands of electricity and is intended to apply to large scale commercial and industrial users; and

WHEREAS, the “Demand Ratchet” serves to ensure that a capacity of electrical power is available to those entities who experience variation and swings in electrical need, and in turn there is a charge associated with the availability of electric power under the “Demand Ratchet”

WHEREAS, 115 retail customers receiving service under one of the demand billed service codes listed herein and make up 78% of the entire billing of Auburn Electric; and

WHEREAS, in only a matter of weeks, Auburn Electric has seen a dramatic drop of 25% in the electric sales during the month of March, and will likely see a 50% drop in the demand customer sales moving forward for an indeterminant amount of time.

WHEREAS, the substantial reduction in the operation of several Code classifications in the City of Auburn, Indiana is a direct result of the Covid-19 crisis; and

WHEREAS, as a result significant demand charges are being implemented for power that will ultimately not be used for many months as a result of the shuttering and slowdown of many industries; and

WHEREAS, Ratchet Demand was not designed for such widespread and dramatic shutdowns and slowdowns and is being implemented in a way never intended; and

WHEREAS, after careful review and evaluation by Auburn Electric’s independent regulatory consultants and attorneys, Auburn Electric’s staff, Auburn Board of Works and Safety, the Offices of the Mayor and Clerk Treasurer, and the Auburn City Attorney, Auburn proposes a suspension of the “Demand Ratchet” clause contained within the Auburn Rates as being a reasonable method to alleviate an unprecedented situation that has occurred as it relates to Industrial and Commercial customer base; and

WHEREAS, the existing rates were adopted and went into effect on August 1, 2016; and

WHEREAS, demand rates exist for the following customers:

- Large General Services (Code 39)
- EHV High Voltage Large Power Service (Code 40)
- LP Large Power Primary and Secondary (Codes 41, 42)
- LPS Large Power Services Primary and Secondary (Codes 43, 44)
- EHP High Voltage Large Power Service (Code 45)
- EHPT High Voltage Large Power (Code 45T)

WHEREAS, the Auburn, Indiana demand Ratchet is set at 60%, which means that a customer's "Demand" portion of the bill will not be lower than 60% of the highest KVA monthly billing demand during the previous eleven (11) months; and

WHEREAS, Auburn Electric is requesting that the Indiana Utility Regulatory Commission approve a waiver of the 60% Demand Ratchet provision with the Auburn Electric Tariff for the demand billed customers classes listed herein; and

WHEREAS, said waiver will not inhibit Auburn Electric's ability to continue to provide, sage, adequate electric, and reliable service to all customers of the City of Auburn, Indiana; and

WHEREAS, the suspension, will provide the opportunity for customers in the classes identified to get back on-line and for the Demand Ratchet portion of the tariff to act as it was designed; and

THE FOLLOWING TEMPORAY PLAN IS SUPPPORTED BY THE AUBURN BOARD OF PUBLIC WORKS AND SAFETY AND IS CONSIDERED IN SUPPORT OF AN AMENDMENT TO THE CITY OF AUBURN, INDIANA RATE TARIFF SCHEDULE AND THE BOARD CONSENTS AND ENCOURAGES AN EMERGENCY AND TEMPORARY MEASURE AS A RESULT OF THE UNPRECEDENTED IMPACT OF THE COVID-19 VIRUS ON THE BUSINESS COMMUNITY; AND

NOW THEREFORE, BE IT RESOLVED BY THE AUBURN BOARD OF PUBLIC WORKS AND SAFETY AS FOLLOWS:

For the purposes described herein, suspension shall mean the temporary interruption of the Demand Ratchet associated with the billing process of the Auburn Electric Department for the Codes 39 through 45T.

THE AUBURN BVOARD OF WORKS AND PUBLIC SAFETY SUPPORTS AND IS IN FAVOR OF A SUSPENSION OF THE SIXTY PERCENT (60%) DEMAND RATCHET FOR THE FOLLOWING RATE CODE(S) SHALL BE SUSPENDED FOR A SIX (6) MONTH PERIOD RETROACTIVE FROM APRIL 1, 2020 TO OCTOBER 1, 2020 AS FOLLOWS:

- Large General Services (Code 39)
- EHV High Voltage Large Power Service (Code 40)
- LP Large Power Primary and Secondary (Codes 41, 42)
- LPS Large Power Services Primary and Secondary (Codes 43, 44)
- EHP High Voltage Large Power Service (Code 45)
- EHPT High Voltage Large Power (Code 45T)
- Otherwise known as Rate Codes 40, 41, 42, 43, 44, 45, and 45T.

The adjustment is justified because the Demand Ratchet portion of the Tariff does not take into account large scale shutdown, shuttering, or limited operation of classes that typically would use high levels of energy. In the cases of industry that are idle, the Demand Ratchet is being implemented when little energy is being provided.

The Auburn Board of Public Works and Safety further supports, agrees with and requests, at the end of the six (6) month period, that the City of Auburn would have the power to extend the period if an Executive Order or other action by the government limits that ability for customers in the aforementioned class categories to operate normally.

Further the Auburn Board of Public Works and Safety herein directs the City of Auburn Administration to file the appropriate applications and to request the appropriate emergency measures from the IURC to implement this request and to ask for said implementation to be made retroactive to April of 2020.

BE IT FURTHER RESOLVED HEREIN that the Waiver of the “Demand Ratchet” shall be retroactive to and effective beginning with April of 2020 and running through September of 2020.


BE IT FURTHER RESOLVED that when the Demand Ratchet is reinstated, the look back period shall be reset in October 2020 in accordance with the best business practices of the utility. This will allow demand customers which take service under Rate Codes 29, 40, 41, 42, 43, 44, 45 and 45T to begin rebuilding their demands without having a negative impact of a Ratchet that looks back to normal consumption prior to the downturn.

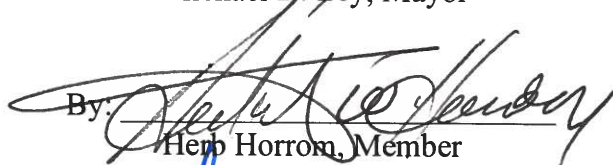
This suspension of the demand Ratchet will not result in an increase in residential rates during the period of the suspension.


FURTHER, the suspension set forth herein is intended to be a temporary measure and not a permanent modification to the rate structure of the City of Auburn Electric Department. Further, when the ratchet is reinstated, the period in which the Electric Utility will look back for purposes of calculating the Demand Ratchet will begin with October 2020 consumption. This will allow demand customers, which take service under Rate Codes 39, 40, 41, 42, 43, 44, 45 and 45T, to begin rebuilding their demands without having a negative impact of a ratchet that looks back to normal consumption prior to the downturn. The first month of the look back beginning in October will be one (1) month, and the look back period increases each month thereafter until it returns to an eleven (11) month period by August of 2021.

PASSED AND ADOPTED by the Auburn Board of Public Works and Safety this
23 day of April, 2020.

CITY OF AUBURN BOARD OF PUBLIC WORKS AND SAFETY

By: 
Michael D. Ley, Mayor

By: 
Herb Horrom, Member

By: 
Danny D. McAfee, Member

ATTEST:


Patricia Miller, Clerk-Treasurer