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September 23, 2020

Subject: Change in Electric Rates

Dear Customer:

At the September 14, 2020 meeting of the Board of City Commissioners, Resolution 2020-32 was approved, modifying the electric rates in the City of Sallisaw. These changes were made after an extensive and thorough Electric Cost of Service study, recently completed by the City and its rate consultant. As approved, the City of Sallisaw will implement a five-year plan of rate adjustments, with each adjustment being implemented during the month of November through 2024. The first adjustment will be reflected on your November 2020 billing statement.

For many years now, the City of Sallisaw has adjusted electric rates based only on the adjustments passed to us from the Grand River Dam Authority. The last base rate adjustment that allowed for city operations and capital projects was in 2006. The funding from these rate adjustments will allow the City to continue necessary ongoing maintenance and capital projects over the next several years. Among these projects are:

- Continued maintenance and upgrades to the electric distribution system. The cost of service study includes \$2.4 million in electric system improvements over the next five years. This includes needed updates to substations and continued replacement of utility poles as well as underground feeders. All of which will maintain and improve reliability. Also included is the relocation of electric and fiber utilities along the Highway 59 North corridor, as required by ODOT. Estimated cost of \$800,000 to \$950,000.
- Supplemental funding for continued replacement and upgrades of various water and sewer lines throughout the community, as well as new extensions that may be required.
- Continued updates and replacement of existing equipment needed to maintain our utilities and other city infrastructure.

The rate adjustments will also free up funds in other areas of our operating budget for maintaining other infrastructure. Items such as drainage work, maintenance of easements and right of ways, additional tree trimming, increased street maintenance, city facility updates and other community and quality of life improvements will be programmed into future budgets. **It is important to note that our infrastructure is aging, and these adjustments provide an investment into the future which will keep our infrastructure sound.**

Another item very important to these adjustments, is maintaining cash reserves, allowing us to maintain our bond ratings. Each year, rating agencies review our financials and determine if our revenues are adequate to maintain our bond ratings. Bond ratings and available debt coverage are very important as they directly affect interest rates on any new debt that may be issued by the Sallisaw Municipal Authority.

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The current average cost for residential kilowatt hour (kWh) usage under our current rate structure is \$0.1007 per kWh. With the rate adjustment reflected in your November 2020 billing statements, the average cost per kWh will be \$0.1067. The average increase to residential electric customers over the next five years is \$4.15 per month, based on average kWh use of 1,176. Adjustments to commercial customers will also result in minor increases, or savings, depending on each customer’s usage and rate classification.

Although no one likes rate adjustments, the City of Sallisaw has strived to remain meticulous over the years in keeping all utility rates as affordable as possible. We continue to evaluate the needs of all of our infrastructure to ensure they will operate well into the future. Like any other government agency or business, we must keep rates sufficient to maintain quality and reliable services for our community, and to address growth.

For more information, please visit the home page of our website, www.sallisawok.org, and look for the Utility Rate Information tab. If you have any questions, please do not hesitate to contact us.

Items Approved by Resolution 2020-32:

- Electric rate adjustments annually in years 2020 through 2024 for Residential and Commercial customers.
- New 15,000 kWh rule for Commercial customers, modifying how customers may move from the CP1 to CP2 to CP1 electric rate schedules, based on electric kWh usage.
- Establishment of an electric rate for the new Veterans Center.
- Establishment of procedures for customer owned Distributed Generation (i.e., solar).
- Establishment of rate classification for any future Electric Vehicle Charging Stations.

| ELECTRIC RATE TABLE | | | | | | |
|-------------------------------|----------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Current | Effective Nov 2020 | Effective Nov 2021 | Effective Nov 2022 | Effective Nov 2023 | Effective Nov 2024 |
| RP-1 Residential | | | | | | |
| Customer Charge | \$ 12.91 | \$ 13.68 | \$ 14.51 | \$ 14.72 | \$ 14.94 | \$ 15.17 |
| Charge Per kWh | \$ 0.0897 | \$ 0.0951 | \$ 0.1008 | \$ 0.1023 | \$ 0.1038 | \$ 0.1054 |
| CP-1 Commercial | | | | | | |
| Customer Charge | \$ 12.91 | \$ 13.68 | \$ 14.51 | \$ 14.72 | \$ 14.94 | \$ 15.17 |
| Charge Per kWh | \$ 0.0897 | \$ 0.0951 | \$ 0.1008 | \$ 0.1023 | \$ 0.1038 | \$ 0.1054 |
| CP-2 Commercial Demand | | | | | | |
| Customer Charge | \$ 9.45 | \$ 10.40 | \$ 11.95 | \$ 12.13 | \$ 12.32 | \$ 12.50 |
| Charge Per kWh | \$ 0.0515 | \$ 0.0541 | \$ 0.0568 | \$ 0.0576 | \$ 0.0585 | \$ 0.0594 |
| Demand Charge Per KW | \$ 14.96 | \$ 15.46 | \$ 15.46 | \$ 15.46 | \$ 15.46 | \$ 15.46 |

Conservation Tips:

- *Manage your thermostat for times you are not home, consider a programmable thermostat*
- *Turn off lights and other appliances or fans when not needed*
- *Use LED light bulbs*
- *Refrain from using space heaters for long periods*
- *Perform basic weatherization around your doors and windows*