



Board of Commissioners Meeting



Updated Results for Cost of Service Rate Study

July 10, 2018

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Discussion Outline

- ◆ **Background**
- ◆ **Direction from the Board**
- ◆ **Updated study results**
 - Capital improvement plan
 - Revenue requirement
 - Cost of service
 - Rate design



Background

- ◆ **Presented initial findings to Board on May 29th**
- ◆ **Three scenarios for revenue requirement**
 - Baseline: Includes complete CIP program
 - Scenario 1: Same as baseline with higher debt coverage requirement (2.0)
 - Scenario 2: Caps annual rate increases at 4% by reducing CIP
- ◆ **All scenarios include a 90-day operating reserve, capital contingency reserve, and funding for system reinvestment.**

Description	2019	2020	2021	2022	2023	CIP	New Debt
Baseline	6.00%	6.00%	5.00%	5.00%	4.00%	\$ 20,836,800	\$ 12,750,000
Scenario 1 (2.0 Coverage)	6.00%	6.00%	6.00%	6.00%	4.25%	20,836,800	12,750,000
Scenario 2 (4.0%, Reduced CIP)	4.00%	4.00%	4.00%	4.00%	4.00%	15,443,337	7,500,000



Background (continued)

- ◆ **Cost of Service Results**
 - Residential within COSA
 - Residential (low use) can increase towards COSA
 - Gen. Service classes can decrease towards COSA

- ◆ **Rates adjusted to reach cost of service by 2023**
 - Residential rates increase approximately 4.0% per year
 - Low-use residential rates increase 8.3% per year
 - Classes with a reduction capped at 0.0% - grow into rate over time



Edits & Direction From Board

◆ **Capital Improvement Plan**

- Increased 2018 bond from \$5M to \$7M to align with actual bond issue
- Reduced 2018 bond interest rate from 4.25% to 4.00%
- Adjusted 2018 to 2027 CIP schedule to reflect increased 2018 bond amount

◆ **Customer Classes**

- Consolidated Large Commercial Service class into General Service 3P class
- Consolidated Primary Commercial Service class into Residential class
- Retained Low-Use Residential Class

◆ **Cost of Service**

- Extended timeline to reach cost of service within 10 years
 - Residential rates grow one percentage point higher than commercial rates



Updated Study Results

◆ Revised Revenue Requirement

- Required rate adjustments from 2019 to 2021 increase from 4.0% to 4.5%
 - Increased 2018 bond requires additional debt service
- Achieve 90 day operating reserve by 2021

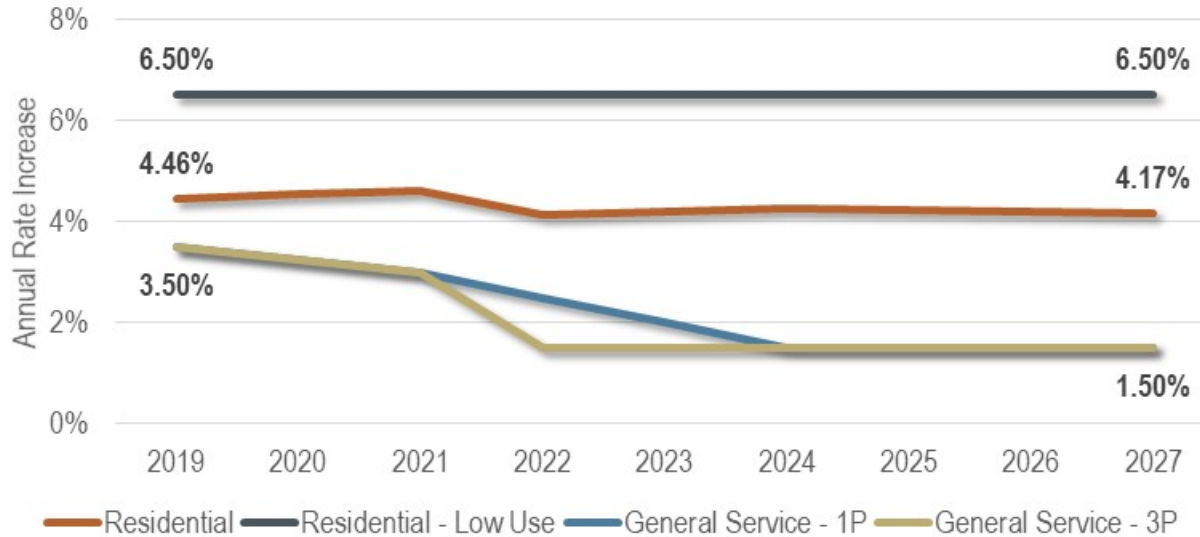
Description	2019	2020	2021	2022	2023
Revised revenue requirement	4.50%	4.50%	4.50%	4.00%	4.00%

◆ Revised Cost of Service

- Customer classes within 5 percent of cost of service by 2027
- \pm 5% of average is within cost of service (industry standard)



Revised Phase-In to Cost of Service



- ◆ Rate differential between residential and general service approximately 1.0% in 2019 and 2020
- ◆ Rate differential grows over time because general service is currently above cost of service

Customer Class	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Residential	0.00%	4.46%	4.54%	4.61%	4.14%	4.20%	4.27%	4.23%	4.20%	4.17%
Residential - Low Use	0.00%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
General Service - 1P	0.00%	3.50%	3.25%	3.00%	2.50%	2.00%	1.50%	1.50%	1.50%	1.50%
General Service - 3P	0.00%	3.50%	3.25%	3.00%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Security Lighting	0.00%	4.50%	4.50%	4.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Total	0.00%	4.50%	4.50%	4.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%



Revised Rate Design

Residential	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Customer Charge (\$ per month)	\$ 33.47	\$ 35.75	\$ 38.00	\$ 40.25	\$ 42.50	\$ 45.00	\$ 47.50	\$ 50.00	\$ 52.75	\$ 55.00
Energy Charge (\$ per kWh)	\$ 0.07700	\$ 0.07984	\$ 0.08301	\$ 0.08646	\$ 0.08962	\$ 0.09286	\$ 0.09640	\$ 0.10010	\$ 0.10382	\$ 0.10811
COSA Phase-In %	0.00%	4.46%	4.54%	4.61%	4.14%	4.20%	4.27%	4.23%	4.20%	4.17%

Residential - Low Use	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Customer Charge (\$ per month)	\$ 33.47	\$ 36.08	\$ 38.83	\$ 41.75	\$ 44.97	\$ 48.41	\$ 52.06	\$ 55.95	\$ 60.14	\$ 64.54
Energy Charge (\$ per kWh)	\$ 0.07700	\$ 0.07984	\$ 0.08301	\$ 0.08646	\$ 0.08962	\$ 0.09286	\$ 0.09640	\$ 0.10010	\$ 0.10382	\$ 0.10811
COSA Phase-In %	0.00%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%

General Service - 1P	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Customer Charge (\$ per month)	\$ 46.25	\$ 47.00	\$ 48.00	\$ 49.00	\$ 50.00	\$ 51.00	\$ 52.00	\$ 53.00	\$ 54.00	\$ 55.00
Energy Charge (\$ per kWh)	\$ 0.08300	\$ 0.08638	\$ 0.08947	\$ 0.09240	\$ 0.09484	\$ 0.09674	\$ 0.09807	\$ 0.09943	\$ 0.10081	\$ 0.10223
COSA Phase-In %	0.00%	3.50%	3.25%	3.00%	2.50%	2.00%	1.50%	1.50%	1.50%	1.50%

General Service - 3P	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Customer Charge (\$ per month)	\$ 51.96	\$ 55.00	\$ 60.00	\$ 66.00	\$ 66.00	\$ 66.00	\$ 66.00	\$ 66.00	\$ 66.00	\$ 66.00
Energy Charge (\$ per kWh)	\$ 0.08300	\$ 0.08577	\$ 0.08822	\$ 0.09041	\$ 0.09187	\$ 0.09335	\$ 0.09485	\$ 0.09638	\$ 0.09793	\$ 0.09951
COSA Phase-In %	0.00%	3.50%	3.25%	3.00%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Security Lighting	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Customer Charge (\$ per month)	\$ 11.10	\$ 11.60	\$ 12.12	\$ 12.67	\$ 13.17	\$ 13.70	\$ 14.25	\$ 14.82	\$ 15.41	\$ 16.03
Energy Charge (\$ per kWh)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COSA Phase-In %	0.00%	4.50%	4.50%	4.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%



Questions and Discussion

