Financial Strategy

Cost Based Rates
- Financial Stability - Alignment of fixed and variable cost with fixed and variable rates
- No subsidization between Rate Classes (Cost Causation)
- Rates that promote conservation and reduce costs (Demand Reduction)

Regionally Competitive
- Enrich People's Lives
- Help Businesses Prosper
- Promote Community Welfare

Provide Resources
- Rates - AA Bond Rating, Targeted Income, Debt Coverage, Equity %
- Reputation – Community Service, Engagement, Contribution to the City
- Responsibility – Conservation, Education, Safe Operations, Compliance
- Reliability - Unusual Events (Ice Storm/Pandemic), Replacement of Infrastructure, Growth and Maintenance
- Relationships – Customer Care and Service (People & Systems)
Future Rate Planning Considerations

1. **Interruptible Credits & Standby Rates**
   - Working towards adjusting credit value and mechanisms

2. **Rate Class Consolidation**
   - Considering freezing and potentially merging some classes

3. **Power Cost Adjustment**
   - Recover PCA monthly versus over 12 months

4. **Demand Rates**
   - Consider wider use of demand rates for Residential and Small General Use
**Recommendations**

**Demand Rates: Small General Service (SGS)**

- **Long Term Goal** - Demand metering to reduce subsidy within a customer class and move toward cost causation.
- **Currently** small commercial customers up to 75kW Demand
- **Competitiveness** – Xcel, Austin, Peoples: 25kW
  Dakota Electric: 15kW
- **Consideration:** Reduce the SGS maximum Demand to 25kW

**Power Cost Adjustment**

- **Currently** – 1/12 of the difference over or under the Base cost of $0.07285 each month is applied over the following 12 months. (12 month rolling average)
- **Causes** permanent uncollected billings when costs exceed the Base
- **Delays** returns to the customers when costs are decreasing
- **Recommendation:** Reduce the recovery period from 12 to 1 month.

**Rate Consolidation**

- **Currently** have a number of end user rates: Res Dual Fuel, Res HVAC, SGS HVAC
- **Commercial Demand rates** are based on load size (kW) Vs service type (primary or secondary voltage)
- **Recommendation:** Close the current end user rates to new customers
- **Consideration:** Continue to study the customer impact of Demand Rate classes
Small General Service (SGS)

4,500 SGS Customers
Estimate 600 Customers > 25KW Demand

Evaluate Impact to SGS and MGS Rates

Recommendation and Implementation
Power Cost Adjustment

Power Supply Cost
Per KWH

Power Cost Adjustment
Unbilled Receivable

Standard Power Supply Cost
Actual Power Supply Cost

Power Supply Cost

Power Cost Adjustment
Unbilled Receivable

PCA Billed
Actual Power Cost Differences from Standard
Ending Unbilled PCA
Rate Consolidation

- 6 SGS HVAC Customers
- 73 Residential HVAC Customers
- 20 Dual Fuel Customers

MGS Primary 9 Secondary 437
LGS/IND Primary 14 Secondary 2

Recommendation: Close SGS HVAC, Res HVAC and Dual Fuel Rates
Next Steps

- Small General Service Demand – 2022 Tariff change as part of the budget (August)
  - Rate & Customer Impact Analysis Recommendation – May 2020
  - Meter deployments and configuration – start in 2021
  - Customer outreach and education – start in 2021

- Power Cost Adjustment – 2022 Tariff change as part of the budget (August)

- End User Rates – 2022 Tariff change as part of the budget (August)
- Rate Consolidation – Consider during 2023 Cost of Service Study
THANK YOU