



ROCHESTER
PUBLIC UTILITIES
WE PLEDGE, WE DELIVER

Cost of Service Recommendations

RPU Board

March 30, 2021

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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

Interruptible Credits & Standby Rates

- Working towards adjusting credit value and mechanisms

Rate Class Consolidation

- Considering freezing and potentially merging some classes

Power Cost Adjustment

- Recover PCA monthly versus over 12 months

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

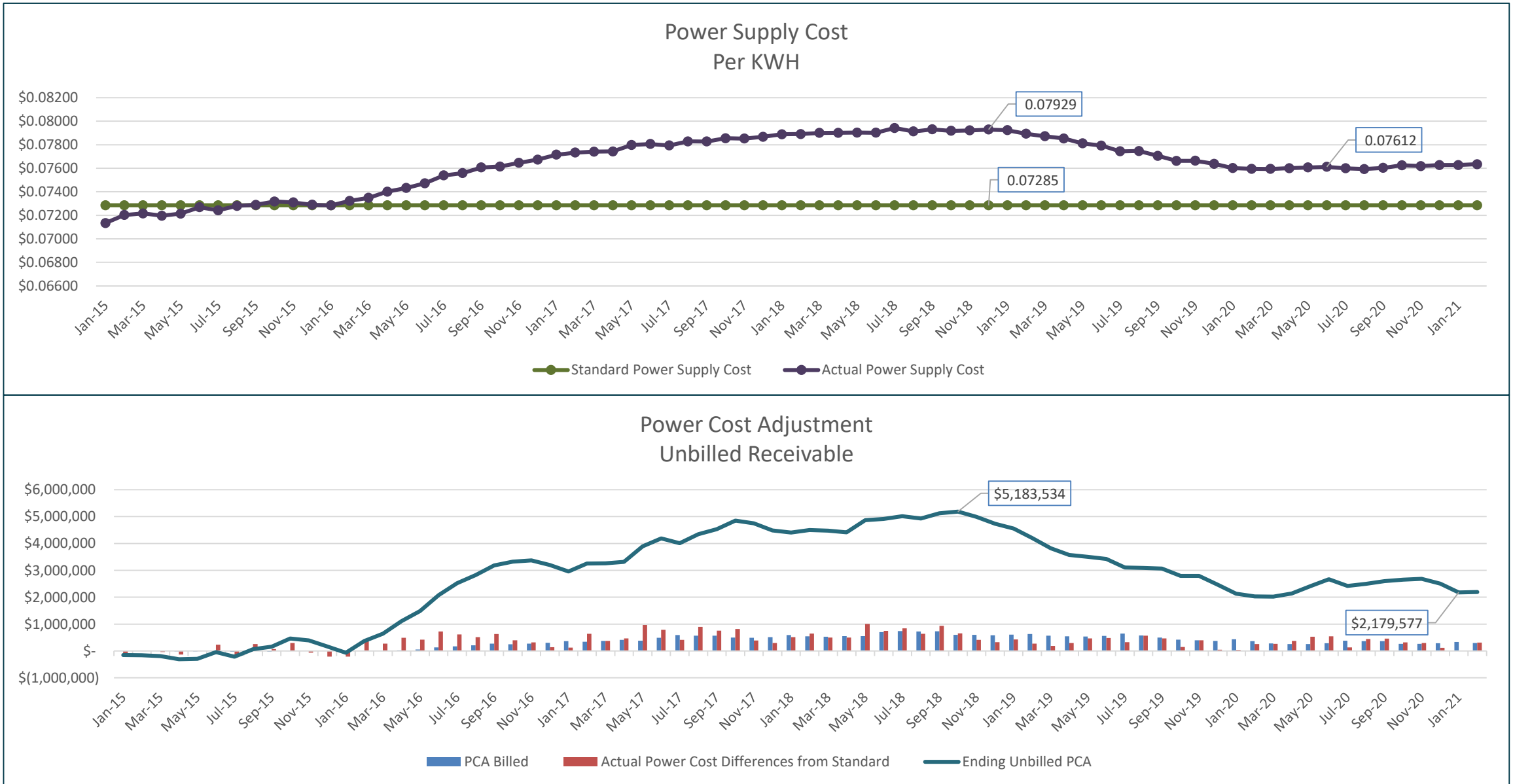
Estimate 600 Customers > 25KW Demand

Evaluate Impact to SGS and MGS Rates

Recommendation and Implementation



Power Cost Adjustment





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