

# Cost of Service Results

UTILITY FINANCIAL SOLUTIONS, LLC



# Objectives

- ▶ Review Financial Projection and Rate Track
- ▶ Review Cost of Service Results
- ▶ Review Customer Charges
- ▶ Guidance from Board of Directors:
  - ▶ Rate Track and Rate Adjustments
  - ▶ Class Rate Adjustments
  - ▶ Customer Charges
  - ▶ Power Cost Impact

# Assumptions

## ► Growth

- 2018 – 1.8%
- 2019 – 2.1%
- 2020 – 1.3%
- 2021 – 1.1%
- 2022 – 0.5%

## ► Public Employees Retirement Assoc. \$1.4 million

## ► Additional Health Insurance \$350,000

## ► Purchase Power Costs:

- 2017 – 2.0%
- 2018 – 1.0%

## ► Additional Borrowings

- 2019 \$23,000,000

## ► Capital Expenses

| Fiscal Year | Capital Improvements Plan |
|-------------|---------------------------|
| 2018        | \$ 41,321,676             |
| 2019        | 29,866,903                |
| 2020        | 25,703,946                |
| 2021        | 17,194,723                |
| 2022        | 17,528,661                |



# Financial Projection Without Rate Adjustments

| Fiscal Year | Projected Rate Adjustments | Debt Coverage Ratio | Debt Coverage in Bond Ordinance | Adjusted Operating Income | Target Operating Income | Projected Cash Balances | Recommended Minimum Cash | Debt/Equity |
|-------------|----------------------------|---------------------|---------------------------------|---------------------------|-------------------------|-------------------------|--------------------------|-------------|
| 2018        | 0.00%                      | 2.09                | 2.73                            | \$ 12,746,308             | \$ 15,825,834           | \$ 38,861,386           | \$ 49,217,455            | 66%         |
| 2019        | 0.00%                      | 2.04                | 2.71                            | 13,136,345                | 15,389,868              | 36,176,069              | 50,552,307               | 61%         |
| 2020        | 0.00%                      | 1.80                | 2.41                            | 11,817,700                | 15,855,737              | 34,542,035              | 53,142,756               | 59%         |
| 2021        | 0.00%                      | 1.79                | 2.42                            | 10,777,203                | 16,146,578              | 30,670,524              | 52,002,069               | 57%         |
| 2022        | 0.00%                      | 1.76                | 2.40                            | 9,578,286                 | 16,453,156              | 26,304,321              | 52,603,064               | 54%         |

# Financial Projection with Rate Adjustments

| Fiscal Year | Projected Rate Adjustments | Debt Coverage Ratio | Debt Coverage in Bond Ordinance | Adjusted Operating Income | Target Operating Income | Projected Cash Balances | Recommended Minimum Cash | Debt/Equity |
|-------------|----------------------------|---------------------|---------------------------------|---------------------------|-------------------------|-------------------------|--------------------------|-------------|
| 2018        | 1.50%                      | 2.25                | 2.89                            | \$ 15,010,903             | \$ 15,825,834           | \$ 41,125,981           | \$ 49,217,455            | 66%         |
| 2019        | 1.90%                      | 2.42                | 3.08                            | 18,420,376                | 15,389,868              | 43,724,695              | 50,552,307               | 61%         |
| 2020        | 1.00%                      | 2.24                | 2.85                            | 18,787,347                | 15,855,737              | 49,060,308              | 53,142,756               | 59%         |
| 2021        | 1.00%                      | 2.35                | 2.98                            | 19,474,559                | 16,146,578              | 54,103,928              | 52,002,069               | 57%         |
| 2022        | 0.00%                      | 2.33                | 2.98                            | 18,319,129                | 16,453,156              | 58,830,069              | 52,603,064               | 54%         |

# Cost of Service Results

## Major Customer Classes

| Customer Class                    | Cost of Service    | Projected Revenues | % Change     |
|-----------------------------------|--------------------|--------------------|--------------|
| Residential                       | 54,690,476         | 52,702,924         | 3.77%        |
| General Service                   | 19,859,339         | 19,087,605         | 4.04%        |
| Street Lights and Security Lights | 1,981,093          | 1,633,751          | 21.26%       |
| Medium General Service            | 41,830,459         | 42,264,554         | -1.03%       |
| Large General Service             | 15,560,121         | 15,603,740         | -0.28%       |
| Large Industrial Service          | 19,980,397         | 19,524,939         | 2.33%        |
| <b>Total</b>                      | <b>153,901,885</b> | <b>150,817,513</b> | <b>2.05%</b> |

# Customer Charges Cost Component Recovery

Recovers  
cost for  
connection  
to Grid at  
zero kWh  
consumption

- Meter operation, maintenance and replacement costs
- Meter reading costs or AMR installation costs
- Billing Costs
- Customer Service Department
- Service into customers facilities
- Portion of Distribution System
  - Cost to get a wire from the sub-transmission system to customer
  - Based on minimum sizing (If all customers only used a single kWh)

# Customer Charges

| Customer Class           | COS Customer Charge | Current Average Customer Charge |
|--------------------------|---------------------|---------------------------------|
| Residential              | \$ 21.60            | \$ 18.76                        |
| General Service          | 42.90               | 38.75                           |
| Medium General Service   | 121.99              | -                               |
| Large General Service    | 186.73              | -                               |
| Large Industrial Service | 276.14              | -                               |

\* Consider implementation of customer charge for *Medium, Large GS & Large IS* in 2020. Currently the implementation would require programing of existing software. May consider implementation with new billing software