



# CITY OF ASHLAND ELECTRIC UTILITY

UPDATE FOR COUNCIL & BUDGET COMMITTEE

AUGUST 20, 2018

# ELECTRIC RATES

## Recent questions and concerns

- How are rates and increases determined?
- Why are increases different for each customer type?
- The increase in my bill does not equal the published rate increase for my rate class.

# DETERMINING RATES AND INCREASES

In-depth cost of service study completed fall of 2016

- Identifies actual costs to provide service to each rate class
- Identifies and eliminates cross-subsidies between rate classes
- Projects revenue requirements to maintain long-term utility health and implements 10 year infrastructure plan recommendations
- Develops multi-year rate design based on above factors

# PRIMARY COST DRIVERS

Rates are influenced by several factors. The most influential are:

- Increased cost of purchased power from BPA
- Increasing available working capital closer to industry standard
- System improvement costs to maintain reliable delivery throughout the local distribution system.

# WHY INCREASES VARY

- The variations in rate increases are a result of the identified cost to serve each rate class.
- Rate design is intended to have each customer paying an equitable amount for their actual use of the system and eliminate subsidies across rate classes.

# THE MATH ON RATES

- To maintain financial health current utility best practice is to assign more of the fixed operating costs to the customer base fees and relying less on variable sales (customer consumption) to maintain operations.
- Published increase percentage is an average of the effective increase across the customer class.

# RATE EXAMPLES RESIDENTIAL FY19

- Published increase 6.18%
- Base fee increase \$2.50 or 25%
- Kwh first 500 increase \$0.00205/kwh or 2.9%
- Kwh 500-5000 increase \$0.00205/kwh or 2.4%
- Kwh over 5000 increase \$0.005/kwh or 4.16%
- Where do you get 6.18% from this? It's an average across the rate class

# RATE IMPACTS BY USAGE

<u>Usage Kwh</u>	<u>Effective % increase</u>	<u>\$</u>
250	10.9%	\$3.01
500	7.8%	\$3.52
750	6.1%	\$4.03
1000	5.2%	\$4.54
1500	4.3%	\$5.57
2000	3.8%	\$6.59
2500	3.5%	\$7.61



# MORE INFO FROM THE C.O.S

Based on industry standards it is recommend the utility have 70 days cash on hand. At the time of the study, the projections showed the utility with less than 15 days. The recommended rates brings this level up over several years.

# QUESTIONS ABOUT RATES?

# ELECTRIC UPDATES FOR FY 18

- Installed or replaced 25 poles
- Installed or replaced 18,000 feet of underground conductor
- Expanded and upgraded for several new developments
- Partnered with PW on Winburn Way upgrades and EV charging infrastructure
- Began work to upgrade electric SCADA system

# IN THE WORKS FOR FY19

- Complete SCADA upgrades
- Install conduit on Hersey for future upgrades w/PW
- Evaluate feasibility of purchasing Mountain Ave. sub-station
- Continue replacement of aging underground cable
- Planning for system automation in sensitive load areas
- Update 10 year planning study
- Stay active with trade groups and with coming BPA rate case

# QUESTIONS?

Thank you all for your time

As always you are welcome to call or visit the electric department for more information and detailed discussion

Thomas McBartlett, 541-552-2314

[Thomas.mcbartlett@Ashland.or.us](mailto:Thomas.mcbartlett@Ashland.or.us)