

# ELECTRIC COST OF SERVICE / RATE STUDY

CITY OF SEGUIN

AUGUST 20, 2024

WE GIVE YOU THE POWER TO PERFORM

**SENERGY**<sup>TM</sup>

POWERED BY SCHNEIDER ENGINEERING

# WHAT IS A COST OF SERVICE STUDY?

- Cost of Service (COS) study is a management tool that allows utility management to make informed decisions about how revenue and costs are collected from customer classes
- COS accomplishes the following:
  - Identifies the costs associated with serving each customer class
  - Identifies the revenues that should be recovered from each customer class according to the cost basis for serving each class
- Seguin has partnered with SEnergy LLC to perform this study every 5 years since 2013, with annual revenue and rate adequacy checks

# COMPONENTS OF THE COST OF SERVICE STUDY

- Cost of Service study
  - Allocation of costs and revenues to customer classes
  - Determination of revenues discrepancies between rate classes
- Financial Forecast
  - 5-year financial forecast for utility to determine sufficient revenues to meet financial objectives over 5-year planning horizon
- Rate Model
  - Recommendation of rates to achieve financial objectives as determined in the COS study, financial forecast, and input from utility management



# COST OF SERVICE STUDY RESULTS

Rate Class	COS Allocated Revenue	Actual Revenue	\$ Difference	% Difference	FY 2018 COS Results
Residential	\$ 11,947,478	\$ 11,214,658	(\$ 732,819)	-6.5%	3.96%
Small Commercial	\$ 2,109,523	\$ 2,153,298	\$ 43,775	2.0%	7.59%
Large Commercial	\$ 7,099,664	\$ 8,150,540	\$ 1,050,876	12.9%	-5.58%
Industrial	\$ 8,929,638	\$ 10,411,903	\$ 1,482,265	14.2%	-35.21%
Rio Nogales	\$ 98,704	\$ 95,252	(\$ 3,452)	-3.6%	41.35%
City	\$ 1,304,781	\$ 1,086,331	(\$ 218,450)	-20.1%	-22.71%
<b>Total</b>	<b>\$ 31,489,788</b>	<b>\$ 33,111,982</b>	<b>\$ 1,622,195</b>	<b>4.9%</b>	<b>-8.54%</b>



# FINANCIAL FORECAST

	Historic		Forecast				
	FY 2021/2022	FY 2022/2023	FY 2024/2025	FY 2025/2026	FY 2026/2027	FY 2027/2028	FY 2028/2029
<b>Revenues</b>							
Residential	\$ 10,569,487	\$ 11,187,311	\$ 11,395,462	\$ 11,797,269	\$ 12,229,399	\$ 12,585,392	\$ 12,978,520
Commercial	\$ 2,098,794	\$ 2,192,496	\$ 2,130,617	\$ 2,172,732	\$ 2,220,838	\$ 2,252,910	\$ 2,289,715
Large Power	\$ 8,178,070	\$ 8,165,110	\$ 7,649,311	\$ 7,738,714	\$ 7,835,631	\$ 7,869,728	\$ 7,929,024
Industrial	\$ 9,901,946	\$ 10,416,874	\$ 9,769,093	\$ 9,753,541	\$ 9,715,574	\$ 9,605,047	\$ 9,517,567
City	\$ 996,938	\$ 1,065,846	\$ 1,032,300	\$ 1,025,212	\$ 1,021,311	\$ 1,008,507	\$ 997,918
Total	\$ 31,745,235	\$ 33,027,637	\$ 31,976,782	\$ 32,487,469	\$ 33,022,752	\$ 33,321,584	\$ 33,712,744
PCRF Revenue	\$ 19,043,804	\$ 19,864,196	\$ 18,520,114	\$ 18,657,280	\$ 18,851,755	\$ 18,784,447	\$ 18,785,000
Base Revenue	\$ 12,701,431	\$ 13,163,441	\$ 13,456,668	\$ 13,830,189	\$ 14,170,997	\$ 14,537,136	\$ 14,927,745
<b>Expenses</b>							
Wholesale Power	\$ 17,230,342	\$ 17,421,755	\$ 17,637,864	\$ 17,769,544	\$ 17,955,484	\$ 17,888,982	\$ 17,888,982
Base	\$ 16,660,970	\$ 16,530,112	\$ 16,681,014	\$ 16,724,959	\$ 16,789,775	\$ 16,781,166	\$ 16,781,166
Renewables	\$ 569,372	\$ 891,643	\$ 956,850	\$ 1,044,586	\$ 1,165,709	\$ 1,107,816	\$ 1,107,816
O&M	\$ 8,598,085	\$ 9,315,054	\$ 10,051,239	\$ 10,295,351	\$ 10,544,345	\$ 10,798,319	\$ 11,014,286
Administrative	\$ 1,866,223	\$ 2,110,668	\$ 2,748,392	\$ 2,803,360	\$ 2,859,427	\$ 2,916,616	\$ 2,974,948
Capital Expenses	\$ (4,261)	\$ 1,255,000	\$ 900,000	\$ 450,000	\$ 500,000	\$ 500,000	\$ 500,000
Total	\$ 27,690,389	\$ 30,102,477	\$ 31,337,494	\$ 31,318,255	\$ 31,859,256	\$ 32,103,917	\$ 32,378,216
Dist. System Exp.	\$ 10,460,047	\$ 12,680,722	\$ 13,699,631	\$ 13,548,711	\$ 13,903,772	\$ 14,214,935	\$ 14,489,234
Net	\$ 4,054,846	\$ 2,925,160	\$ 639,288	\$ 1,169,214	\$ 1,163,496	\$ 1,217,667	\$ 1,334,529
% of Revenue	12.77%	8.86%	2.00%	3.60%	3.52%	3.65%	3.96%

# RATE STUDY OBJECTIVES

- Accomplish goals for revenue alignment from Cost of Service study
- Account for financial objectives determined in the financial forecast
- Rate stability for customers



# PREVIOUS RATE CHANGES

	COS FY 2013	COS FY 2018	COS FY 2023
Residential	6.82%	0%	0.91%
Small Commercial	12.28%	0.47%	0%
Large Commercial – Secondary	6.22%	-0.01%	0.02%
Large Commercial – Primary	7.60%	-0.01%	-0.67%
Industrial – Secondary	4.59%	-5.45%	-0.11%
Industrial – Primary	2.18%	-5.40%	0.27%

# RATE RECOMMENDATIONS

- Marginal adjustment to Residential customer charge
- Small Commercial remains unchanged
- Increase demand rates for Large Commercial and Industrial
  - Offset increased demand rates with reduced energy charge





# RATE RECOMMENDATIONS

		Customer Charge	Energy Charge	Demand Charge	Bill*
Residential (1,000 kWh)	Current	\$ 14.50	\$ 0.03757	-	\$ 109.07
	Proposed	\$ 15.50	\$ 0.03757	-	\$ 110.07
Small Commercial (1,384 kWh)	Current	\$ 35.00	\$ 0.03154	-	\$ 157.53
	Proposed	\$ 35.00	\$ 0.03154	-	\$ 157.53
Large Commercial – Secondary (60 kW)	Current	\$125.00	\$ 0.03035	\$ 2.50	\$ 1,916.82
	Proposed	\$125.00	\$ 0.02719	\$ 3.50	\$ 1,917.11
Large Commercial – Primary (113 kW)	Current	\$125.00	\$ 0.02944	\$ 2.50	\$ 5,200.48
	Proposed	\$125.00	\$ 0.02678	\$ 3.50	\$ 5,165.62
Industrial – Secondary (630 kW)	Current	\$ 350.00	\$ 0.01218	\$ 4.00	\$ 24,775.89
	Proposed	\$ 350.00	\$ 0.01007	\$ 5.00	\$ 24,748.56
Industrial – Primary (4,007 kW)	Current	\$ 350.00	\$ 0.01181	\$ 4.00	\$ 138,959.97
	Proposed	\$ 350.00	\$ 0.00977	\$ 5.00	\$ 139,332.92

\* Includes PCRF charge of \$0.0570/kWh



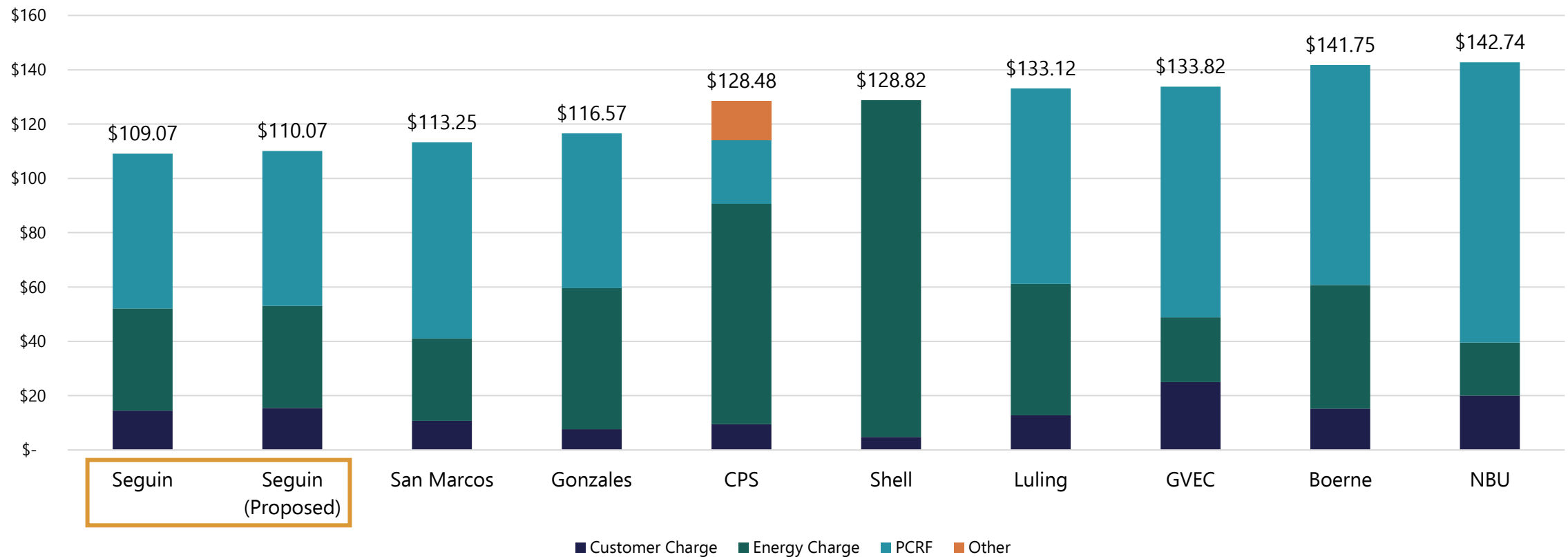
# FINANCIAL FORECAST WITH RATE CHANGES

	Historic		Forecast				
	FY 2021/2022	FY 2022/2023	FY 2024/2025	FY 2025/2026	FY 2026/2027	FY 2027/2028	FY 2028/2029
<b>Revenues</b>							
Residential	\$ 10,569,487	\$ 11,187,311	\$ 11,491,666	\$ 11,895,249	\$ 12,327,983	\$ 12,684,933	\$ 13,079,196
Commercial	\$ 2,098,794	\$ 2,192,496	\$ 2,130,617	\$ 2,172,732	\$ 2,220,838	\$ 2,252,910	\$ 2,289,715
Large Power	\$ 8,178,070	\$ 8,165,110	\$ 7,905,475	\$ 7,995,423	\$ 8,092,801	\$ 8,126,409	\$ 8,185,878
Industrial	\$ 9,901,946	\$ 10,416,874	\$ 10,059,427	\$ 10,048,656	\$ 10,011,691	\$ 9,902,971	\$ 9,818,062
City	\$ 996,938	\$ 1,065,846	\$ 1,032,300	\$ 1,025,212	\$ 1,021,311	\$ 1,008,507	\$ 997,918
Total	\$ 31,745,235	\$ 33,027,637	\$ 32,619,484	\$ 33,137,273	\$ 33,674,624	\$ 33,975,730	\$ 34,370,769
PCRF Revenue	\$ 19,043,804	\$ 19,864,196	\$ 18,520,114	\$ 18,657,280	\$ 18,851,755	\$ 18,784,447	\$ 18,785,000
Base Revenue	\$ 12,701,431	\$ 13,163,441	\$ 14,099,370	\$ 14,479,993	\$ 14,822,869	\$ 15,191,283	\$ 15,585,769
<b>Expenses</b>							
Wholesale Power	\$ 17,230,342	\$ 17,421,755	\$ 17,637,864	\$ 17,769,544	\$ 17,955,484	\$ 17,888,982	\$ 17,888,982
Base	\$ 16,660,970	\$ 16,530,112	\$ 16,681,014	\$ 16,724,959	\$ 16,789,775	\$ 16,781,166	\$ 16,781,166
Renewables	\$ 569,372	\$ 891,643	\$ 956,850	\$ 1,044,586	\$ 1,165,709	\$ 1,107,816	\$ 1,107,816
O&M	\$ 8,598,085	\$ 9,315,054	\$ 10,051,239	\$ 10,295,351	\$ 10,544,345	\$ 10,798,319	\$ 11,014,286
Administrative	\$ 1,866,223	\$ 2,110,668	\$ 2,748,392	\$ 2,803,360	\$ 2,859,427	\$ 2,916,616	\$ 2,974,948
Capital Expenses	\$ (4,261)	\$ 1,255,000	\$ 900,000	\$ 450,000	\$ 500,000	\$ 500,000	\$ 500,000
Total	\$ 27,690,389	\$ 30,102,477	\$ 31,337,494	\$ 31,318,255	\$ 31,859,256	\$ 32,103,917	\$ 32,378,216
Dist. System Exp.	\$ 10,460,047	\$ 12,680,722	\$ 13,699,631	\$ 13,548,711	\$ 13,903,772	\$ 14,214,935	\$ 14,489,234
Net	\$ 4,054,846	\$ 2,925,160	\$ 1,281,990	\$ 1,819,018	\$ 1,815,368	\$ 1,871,813	\$ 1,992,553
% of Revenue	12.77%	8.86%	3.93%	5.49%	5.39%	5.51%	5.80%



# RATE COMPARISON

Residential Bill Comparison (1,000 kWh)





**SEENERGY**<sup>TM</sup>

# QUESTIONS



WE GIVE YOU THE **POWER TO PERFORM**