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FISCAL YEAR 2022 RATE UPDATE

BACKGROUND – 2019 COST OF SERVICE STUDY

- Findings

- Revenues are adequately recovering costs to maintain and operate the system
- Some adjustments needed
 - Increase Residential and Small Commercial Rates
 - Reduce net Large Commercial revenues
 - Reduce net Industrial revenues
- Overall rate reduction required of approximately \$2.4 MM to achieve 100% cost of service allocation due to excess PCRFB revenue

- Recommendations

- Realign the PCRFB and base rates to proportionately recover costs (implemented for FY 2020)
- Increase proportion of revenues generated from fixed fee rate components (customer and demand charge)
- Decrease proportion of revenues from variable rate component (energy charge)

BACKGROUND – 2019 COST OF SERVICE STUDY

- SE presented 2 rate options for consideration:
 - Option 1 moved towards cost of service-based rates over 3 years
 - Option 2 lessened the impact of the transition to cost of service-based rates towards residential customers over 3 years
- Council implemented changes as recommended under Year 1 of Option 2

Average Bill Percentage Change					
		FY 2019/2020	FY 2020/2021	FY 2021/2022	Total Bill Change
Residential	Option 1	0.00%	1.15%	4.01%	5.20%
	Option 2	0.00%	0.00%	1.82%	1.82%
Commercial	Option 1	0.00%	2.69%	4.91%	7.73%
	Option 2	0.00%	2.69%	4.91%	7.73%
Large Commercial	Option 1	0.00%	-1.55%	1.95%	0.37%
	Option 2	0.00%	0.00%	1.92%	1.92%
Industrial	Option 1	0.00%	-9.06%	1.34%	-7.84%
	Option 2	0.00%	-5.47%	0.00%	-5.47%

ANNUAL PCRF UPDATE / FORECAST

YEAR	PURCHASED ENERGY(kWh)	WHOLESALE POWER COST & TCOS (\$)	SOLD ENERGY (kWh)	PCRF REVENUE (\$)	ACTUAL PCRF (\$/kWh)	CHARGED PCRF (\$/kWh)	PCRF FUND OVER / (UNDER) (\$)
FY2020	327,112,920	\$ 17,724,708	308,671,997	\$ 17,088,082	\$ 0.05419	\$ 0.05536	\$ (636,626)
FY2021	330,692,880	\$ 16,064,778	312,102,597	\$ 17,184,369	\$ 0.04858	\$ 0.05506	\$ 1,119,591
FY2022	333,081,128	\$ 18,143,605	319,107,425	\$ 18,189,123	\$ 0.05447	\$ 0.05700	\$ 45,518

- FY2020 Albercas expenses \$1 MM more than 3-year average
- Settlements from February Winter Storm Uri related to renewable portfolio added nearly \$1.5 MM in revenue
- PCRF is estimated to adequately recover wholesale power and transmission costs

RATE SCENARIOS DISCUSSION

- **Reasons for additional rate change options**
 - Mitigate impacts to small commercial customers impacted by COVID restrictions
- **Options to consider**
 - Option 2 continues rate recommendation from 2018 COS Study
 - Option 2A continues adjustments from 2018 COS Study but mitigates impacts to Small Commercial customers

RATE CHANGE IMPACTS 2021-2022 (OPTION 2)

	RESIDENTIAL		SMALL COMMERCIAL	
	CURRENT RATES	RATE CHANGE	CURRENT RATES	RATE CHANGE
Customer Charge	\$ 14.50	\$ 14.50	\$ 30.00	\$ 35.00
Energy Charge	\$ 0.03757	\$ 0.03757	\$ 0.03379	\$ 0.03629
PCRF	\$ 0.05506	\$ 0.05700	\$ 0.05506	\$ 0.05700
Average Bill	\$ 112.22	\$ 114.18	\$ 152.97	\$ 164.11

- Scheduled rate changes result in:
 - Minor impact on Residential (1.77%)
 - Increase for Small Commercial (7.28%)

RATE CHANGE IMPACTS 2021-2022 (OPTION 2)

	LARGE POWER		LARGE POWER (PRIMARY)		LARGE INDUSTRIAL		LARGE INDUSTRIAL PRIMARY	
	CURRENT RATES	RATE CHANGE	CURRENT RATES	RATE CHANGE	CURRENT RATES	RATE CHANGE	CURRENT RATES	RATE CHANGE
Customer Charge	\$ 125.00	\$ 125.00	\$125.00	\$125.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00
Energy Charge	\$ 0.03035	\$ 0.03035	\$0.02944	\$0.02944	\$ 0.01498	\$ 0.01179	\$ 0.01453	\$ 0.01144
PCRF	\$ 0.05506	\$ 0.05700	\$0.05506	\$0.05700	\$ 0.05506	\$ 0.05700	\$ 0.05506	\$ 0.05700
Demand	\$ 2.50	\$ 2.50	\$2.50	\$2.50	\$ 3.50	\$ 4.00	\$ 3.50	\$ 4.00
Average Bill	\$ 1,720.89	\$ 1,753.27	\$1,705.39	\$1,738.44	\$ 49,631.58	\$ 49,471.44	\$ 96,631.86	\$96,477.76

- Scheduled rate changes result in:
 - Minor impact on Large Power (1.92%)
 - Minor impact on Large Power (Primary) (1.94%)
 - Minimal impact on Industrial (<0.01%)

REVENUE FORECAST (OPTION 2)

	RESIDENTIAL	SMALL COMMERCIAL	LARGE POWER	LARGE INDUSTRIAL	PRIMARY INDUSTRIAL	CITY	TOTAL
2021	\$ 9,689,863	\$ 1,830,612	\$ 7,486,108	\$ 6,077,987	\$ 3,389,436	\$ 1,076,735	\$ 29,532,435
2022	\$ 9,809,642	\$ 1,921,914	\$ 7,752,000	\$ 5,939,785	\$ 3,664,229	\$ 1,104,958	\$ 30,192,528
Difference	\$ 119,779	\$ 91,302	\$ 265,892	(\$ 138,202)	\$ 274,793	\$ 28,223	\$ 660,093

- Current rates with planned PCRF increase FY2022
- FY2022 annual revenue increases by \$660,093 with planned rate changes
 - Covers forecasted Capital Expenditures, Operation and Maintenance, and Administrative Expenses
- Continues transition to Cost of Service rates

RATE CHANGE IMPACTS 2021-2022 (OPTION 2A)

	RESIDENTIAL		SMALL COMMERCIAL	
	CURRENT RATES	RATE CHANGE	CURRENT RATES	RATE CHANGE
Customer Charge	\$ 14.50	\$ 14.50	\$ 30.00	\$ 35.00
Energy Charge	\$ 0.03757	\$ 0.03757	\$ 0.03379	\$ 0.03153
PCRF	\$ 0.05506	\$ 0.05700	\$ 0.05506	\$ 0.05700
Average Bill	\$ 112.22	\$ 114.18	\$ 152.97	\$ 157.53

- Scheduled rate changes result in:
 - Minor impact on Residential (1.77%)
 - Increase for Small Commercial (2.98%)

RATE CHANGE IMPACTS 2021-2022 (OPTION 2A)

	LARGE POWER		LARGE POWER (PRIMARY)		LARGE INDUSTRIAL		LARGE INDUSTRIAL PRIMARY	
	CURRENT RATES	RATE CHANGE	CURRENT RATES	RATE CHANGE	CURRENT RATES	RATE CHANGE	CURRENT RATES	RATE CHANGE
Customer Charge	\$ 125.00	\$ 125.00	\$125.00	\$125.00	\$ 350.00	\$ 350.00	\$ 350.00	\$ 350.00
Energy Charge	\$ 0.03035	\$ 0.03035	\$0.02944	\$0.02944	\$ 0.01498	\$ 0.01218	\$ 0.01453	\$ 0.01181
PCRF	\$ 0.05506	\$ 0.05700	\$0.05506	\$0.05700	\$ 0.05506	\$ 0.05700	\$ 0.05506	\$ 0.05700
Demand	\$ 2.50	\$ 2.50	\$2.50	\$2.50	\$ 3.50	\$ 4.00	\$ 3.50	\$ 4.00
Average Bill	\$ 1,720.89	\$ 1,753.27	\$1,705.39	\$1,738.44	\$ 49,631.58	\$ 49,717.91	\$ 96,631.86	\$96,941.77

- Scheduled rate changes result in:
 - Minor impact on Large Power (1.92%)
 - Minor impact on Large Power (Primary) (1.94%)
 - Minimal impact on Industrial (<0.03%)

REVENUE FORECAST (OPTION 2A)

	RESIDENTIAL	SMALL COMMERCIAL	LARGE POWER	LARGE INDUSTRIAL	PRIMARY INDUSTRIAL	CITY	TOTAL
2021	\$ 9,689,863	\$ 1,830,612	\$ 7,486,108	\$ 6,077,987	\$ 3,389,436	\$ 1,076,735	\$ 29,532,435
2022	\$ 9,809,642	\$ 1,844,782	\$ 7,752,000	\$ 5,969,483	\$ 3,681,964	\$ 1,104,958	\$ 30,162,121
Difference	\$ 119,779	\$ 14,170	\$ 265,892	(\$ 108,504)	\$ 292,528	\$ 28,223	\$ 612,088

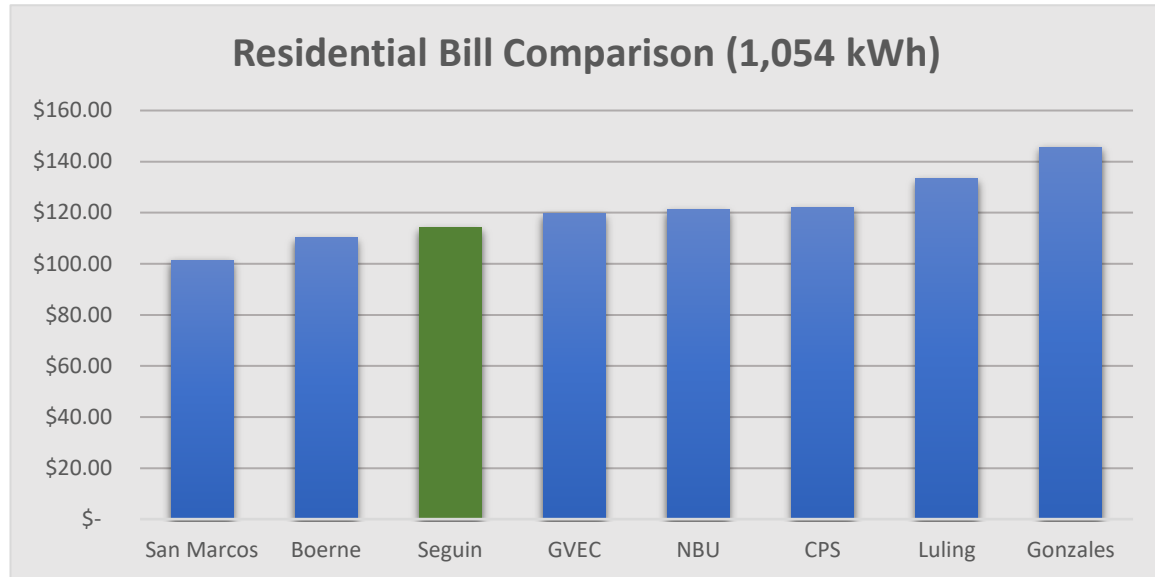
- Current rates with planned PCRf increase FY2022
- FY2022 annual revenue increases by \$612,088 with planned rate changes
 - Covers forecasted Capital Expenditures, Operation and Maintenance, and Administrative Expenses
- Continues transition to Cost of Service rates

SUMMARY AND RECOMMENDATION

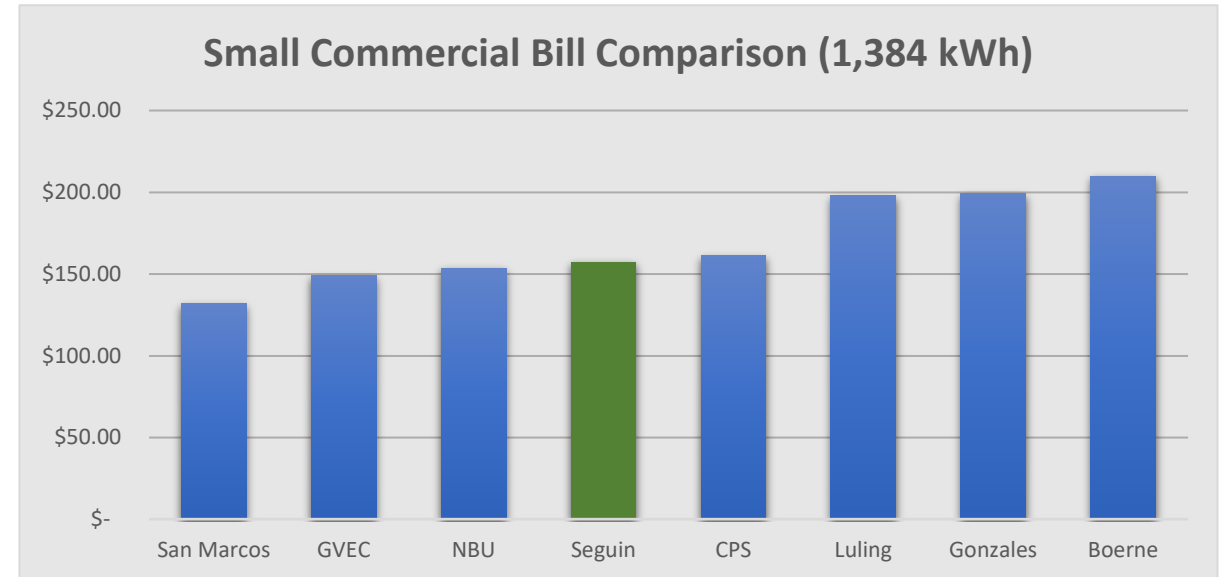
- **Recommendation**
 - Implement Option 2A to mitigate impacts to Small Commercial customers

Average Bill Comparison			
	Current	Option 2	Option 2A
Residential	\$ 112.22	\$ 114.18	\$ 114.18
Small Commercial	\$ 152.97	\$ 164.11	\$ 157.53
Large Power	\$ 1,720.89	\$ 1,753.27	\$ 1,753.27
Large Power (Primary)	\$ 1,705.39	\$ 1,738.44	\$1,738.44
Large Industrial	\$ 49,631.58	\$ 49,471.44	\$ 49,717.91
Large Industrial (Primary)	\$ 96,631.86	\$ 96,477.76	\$96,941.77

BILL COMPARISON (OPTION 2A)



*Surveyed 07/07/2021





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QUESTIONS / DISCUSSION

APPENDIX

PROPOSED RATE CHANGES OPTION 2

Residential (1,054 kWh)				
	FY 2018/2019	FY 2019/2020	FY 2020/2021	FY 2021/2022
Customer Charge	\$12.00	\$12.00	\$14.50	\$14.50
Energy Charge	\$0.03250	\$0.03964	\$0.03757	\$0.03757
PCRF	\$0.06250	\$0.05536	\$0.05506	\$0.05700
Total Variable	\$0.09500	\$0.09500	\$0.09263	\$0.09457
Demand Charge	\$0.00	\$0.00	\$0.00	\$0.00
Average Bill	\$112.22	\$112.22	\$112.22	\$114.18
Percent Change		0.00%	0.00%	1.82%

Commercial (1,384 kWh)				
	FY 2018/2019	FY 2019/2020	FY 2020/2021	FY 2021/2022
Customer Charge	\$25.00	\$25.00	\$30.00	\$35.00
Energy Charge	\$0.02950	\$0.03664	\$0.03629	\$0.03629
PCRF	\$0.06250	\$0.05536	\$0.05506	\$0.05700
Total Variable	\$0.09200	\$0.09200	\$0.09135	\$0.09329
Demand Charge	\$0.00	\$0.00	\$0.00	\$0.00
Average Bill	\$152.42	\$152.42	\$156.52	\$164.11
Percent Change		0.00%	2.69%	4.91%

- Goals
 - Increase Residential and Commercial Revenue
 - Decrease Large Power and Industrial Revenue
 - PCRF to more closely represent wholesale power cost
 - Increase fixed charges
 - **Rebalance PCRF and Base Rate revenue recovery**



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PROPOSED RATE CHANGES OPTION 2

Large Power (17,038 kWh, 56 kW)				
	FY 2018/2019	FY 2019/2020	FY 2020/2021	FY 2021/2022
Customer Charge	\$75.00	\$75.00	\$125.00	\$125.00
Energy Charge	\$0.02750	\$0.03464	\$0.03035	\$0.03035
PCRF	\$0.06250	\$0.05536	\$0.05506	\$0.05700
Total Variable	\$0.09000	\$0.09000	\$0.08541	\$0.08735
Demand Charge	\$2.00	\$2.00	\$2.50	\$2.50
Average Bill	\$1,720.97	\$1,720.97	\$1,720.89	\$1,753.27
Percent Change		0.00%	-0.00%	1.92%

Large Power (Primary) (17,038 kWh, 56 kW)				
	FY 2018/2019	FY 2019/2020	FY 2020/2021	FY 2021/2022
Customer Charge	\$75.00	\$75.00	\$125.00	\$125.00
Energy Charge	\$0.02668	\$0.03360	\$0.02944	\$0.02944
PCRF	\$0.06250	\$0.05536	\$0.05506	\$0.05700
Total Variable	\$0.08918	\$0.08896	\$0.08450	\$0.08644
Demand Charge	\$1.94	\$1.94	\$2.50	\$2.50
Average Bill	\$1,703.54	\$1,699.87	\$1,705.39	\$1,738.44
Percent Change		-0.22%	0.32%	1.94%

Industrial (639,707 kWh, 1,279 kW)				
	FY 2018/2019	FY 2019/2020	FY 2020/2021	FY 2021/2022
Customer Charge	\$200.00	\$200.00	\$350.00	\$350.00
Energy Charge	\$0.01300	\$0.02014	\$0.01473	\$0.01179
PCRF	\$0.06250	\$0.05536	\$0.05506	\$0.05700
Total Variable	\$0.07550	\$0.07550	\$0.06979	\$0.06879
Demand Charge	\$3.00	\$3.00	\$3.50	\$4.00
Average Bill	\$52,334.57	\$52,334.57	\$49,471.29	\$49,471.44
Percent Change		0.00%	-5.47%	0.00%

Industrial (Primary) (1,254,000 kWh, 2,576 kW)				
	FY 2018/2019	FY 2019/2020	FY 2020/2021	FY 2021/2022
Customer Charge	\$200.00	\$200.00	\$350.00	\$350.00
Energy Charge	\$0.01100	\$0.01954	\$0.01429	\$0.01144
PCRF	\$0.06250	\$0.05536	\$0.05506	\$0.05700
Total Variable	\$0.07350	\$0.07490	\$0.06935	\$0.06844
Demand Charge	\$3.00	\$3.00	\$3.50	\$4.00
Average Bill	\$100,096.70	\$101,852.30	\$96,330.55	\$96,477.76
Percent Change		1.75%	-5.42%	0.15%



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OPTION 2 FINANCIAL FORECAST

	Current	COS	FY 2019/2020	FY 2020/2021	FY 2021/2022	FY 2022/2023	FY 2023/2024
Revenues							
Residential	\$9,588,651	\$9,983,848	\$9,717,033	\$9,986,652	\$10,271,175	\$10,572,120	\$9,992,027
Commercial	\$1,714,052	\$1,854,783	\$1,682,895	\$1,739,252	\$1,807,000	\$1,849,471	\$1,746,935
Large Power	\$8,270,985	\$7,833,639	\$8,334,204	\$8,332,564	\$8,388,120	\$8,649,251	\$8,114,404
Industrial	\$9,539,021	\$7,054,913	\$9,706,041	\$8,909,245	\$8,772,873	\$9,103,608	\$8,295,742
Rio Nogales	\$270,798	\$461,745	\$270,798	\$270,798	\$270,798	\$270,798	\$237,087
City	\$1,094,674	\$892,112	\$1,097,411	\$1,100,154	\$1,102,905	\$1,105,662	\$1,041,920
Total	\$30,478,181	\$28,081,040	\$30,808,382	\$30,338,665	\$30,612,871	\$31,550,910	\$29,428,115
Est. PCRF Rev.	\$20,155,660	\$17,462,864	\$20,357,216	\$20,560,789	\$20,766,396	\$20,974,060	\$21,183,801
System Rev.	\$10,322,521	\$10,618,177	\$10,451,166	\$9,777,876	\$9,846,475	\$10,576,849	\$8,244,314
Expenses							
Wholesale Power	\$17,461,875	\$17,461,875	\$18,014,321	\$18,211,030	\$18,295,171	\$19,129,005	\$16,892,995
Base	\$16,918,394		\$17,384,175	\$17,399,906	\$17,316,628	\$18,089,667	\$15,850,369
Renewables	\$543,481		\$630,146	\$811,124	\$978,543	\$1,039,338	\$1,042,626
O&M	\$8,636,011	\$8,636,011	\$8,837,373	\$8,911,529	\$8,986,428	\$9,062,075	\$9,138,478
Administrative	\$1,983,155	\$1,983,155	\$1,969,045	\$1,991,424	\$2,014,026	\$2,036,855	\$2,059,912
Capital Exp.	\$416,000		\$1,540,840	\$563,100	\$212,500	\$772,147	\$515,916
Total	\$28,497,040	\$28,081,040	\$30,361,578	\$29,677,083	\$29,508,125	\$31,000,082	\$28,607,301
Total Less Power	\$11,035,166	\$10,619,166	\$12,347,257	\$11,466,053	\$11,212,954	\$11,871,077	\$11,714,306
Net	\$1,981,141	\$0	\$446,804	\$661,582	\$1,104,746	\$550,828	\$820,814
% of Revenue	6.50%	0.00%	1.45%	2.18%	3.61%	1.75%	2.79%



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OPTION 2A FINANCIAL FORECAST

	FY 2017/2018	Cost of Service	FY 2019/2020	FY 2020/2021	FY 2021/2022	FY 2022/2023	FY 2023/2024
Revenues							
Residential	\$9,588,651	\$9,983,848	\$9,717,033	\$9,986,652	\$10,106,431	\$10,402,549	\$9,831,760
Commercial	\$1,714,052	\$1,854,783	\$1,682,895	\$1,739,252	\$1,753,422	\$1,794,633	\$1,695,137
Large Power	\$8,270,985	\$7,833,639	\$8,334,204	\$8,332,564	\$8,598,456	\$8,866,134	\$8,317,876
Industrial	\$9,539,021	\$7,054,913	\$9,706,041	\$8,909,245	\$8,800,741	\$9,436,082	\$8,598,712
Rio Nogales	\$270,798	\$461,745	\$270,798	\$270,798	\$270,798	\$270,798	\$237,087
City	\$1,094,674	\$892,112	\$1,097,411	\$1,100,154	\$1,128,377	\$1,131,197	\$1,065,983
Total	\$30,478,181	\$28,081,040	\$30,808,382	\$30,338,665	\$30,950,753	\$31,901,396	\$29,780,269
PCRF Revenue	\$20,155,660	\$17,462,864	\$20,357,216	\$20,560,789	\$18,429,771	\$19,211,591	\$19,362,261
Base Revenue	\$10,322,521	\$10,618,177	\$10,451,166	\$9,777,876	\$12,520,982	\$12,689,805	\$10,384,297
Expenses							
Wholesale Power	\$17,461,875	\$17,461,875	\$18,014,321	\$18,211,030	\$18,295,171	\$19,129,005	\$16,892,995
Base	\$16,918,394		\$17,384,175	\$17,399,906	\$17,316,628	\$18,089,667	\$15,850,369
Renewables	\$543,481		\$630,146	\$811,124	\$978,543	\$1,039,338	\$1,042,626
O&M	\$8,636,011	\$8,636,011	\$8,837,373	\$8,911,529	\$8,986,428	\$9,062,075	\$9,138,478
Administrative	\$1,983,155	\$1,983,155	\$1,969,045	\$1,991,424	\$2,014,026	\$2,036,855	\$2,059,912
Capital Expenses	\$416,000		\$1,540,840	\$563,100	\$212,500	\$772,147	\$515,916
Total	\$28,497,040	\$28,081,040	\$30,361,578	\$29,677,083	\$29,508,125	\$31,000,082	\$28,607,301
Total Less Power	\$11,035,166	\$10,619,166	\$12,347,257	\$11,466,053	\$11,212,954	\$11,871,077	\$11,714,306
Net Revenue	\$1,981,141	\$0	\$446,804	\$661,582	\$1,442,628	\$901,314	\$1,139,257
% of Revenue	6.50%	0.00%	1.45%	2.18%	4.89%	2.91%	3.98%



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