

# GREC Cost Recovery Options Follow up Discussion

Base Rates & Fuel Adjustment Committee October 7, 2014

### Recovery of Revenue Requirement

### Classification of Revenue Requirement into Electric Rate Components

#### FY 15 Electric Retail Base Rev Req- \$112.7M

- Customer Charges (\$/mo)
- Energy Charges (\$/kWh)
- Demand Charges (\$(kW))

#### FY 15 Native Load Fuel & Purchased Power Rev Req - \$160.3M

Fuel Adjustment (FA) Charge (\$/kWh)

#### Allocation/Assignment of Revenue Requirement into Electric Customer Classes

#### FY 15 Electric Retail Base Rate Rev Reg - \$112.7M

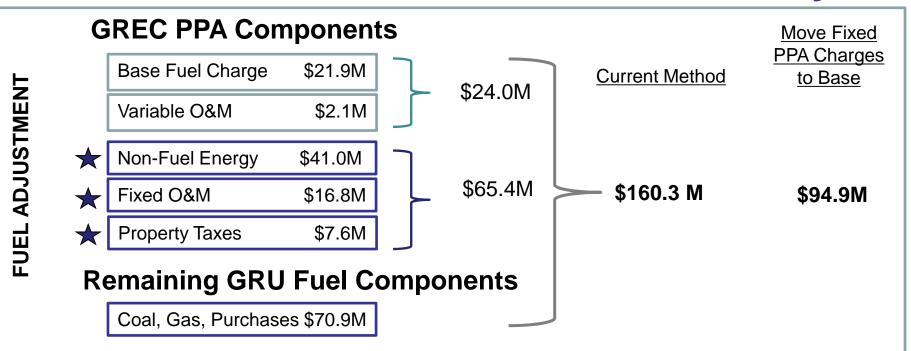
- Residential
- GS Non-Demand Commercial
- GS Demand Commercial
- Large Power Commercial
- Lighting Commercial

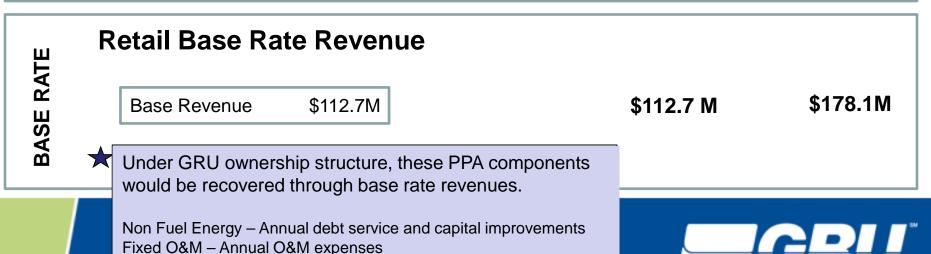
#### FY 15 Native Load Fuel & Purchased Power Rev Req - \$160.3M

- Retail Customers
- Wholesale Customers
  - City of Alachua
  - City of Winter Park



### **Alternative GREC PPA Cost Recovery**





More

than Energy

Property Taxes - Annually not assessed if GRU/City owned

# Estimated Tax Revenue Increase Resulting from Alternative Cost Recovery of GREC PPA (Customers Inside City)

|   | Estimated Additional City Utility Tax Revenue | Estimated Increase to Residential Monthly Bill |
|---|---|--|
| A) Shift GREC NF Energy to Base Rate Revenue  > \$112.1M + \$41.0M = \$153.1M | \$2.5M  | \$2.36   |
| B) Shift GREC Fixed O&M to Base Rate Revenue  > \$112.1M + \$16.8M = \$128.9M | \$1M  | \$0.95   |
| C) Shift GREC Prop Tax to Base Rate Revenue<br>► \$112.1M + \$7.6M = \$119.7M | \$480k  | \$0.39   |
| D) Shift GREC All Above to Base Rate Revenue  > \$112.1M + \$65.4M = \$177.5M | \$3.9M  | \$3.78   |



# Estimated Tax & Surcharge Increase Resulting from Alternate Cost Recovery of GREC PPA (Outside City Customer)

| <u>C</u>  | Estimated<br>Additional<br>ounty Utility<br>ax Revenue | Estimated<br>Increase to<br>Residential<br>Monthly Bill | Estimated Additional Electric Surcharge Revenue | Estimated<br>Increase to<br>Residential<br>Monthly Bill |
|---|--|---|---|---|
| A) Shift GREC NF Energy to Base Rate Revenue  ➤ \$112.1M + \$41.0M = \$153.1M | \$1.03M  | \$2.59  | \$950k  | \$2.36  |
| B) Shift GREC Fixed O&M to Base Rate Revenue  \$112.1M + \$16.8M = \$128.9M   | \$420k   | \$1.04  | \$390k  | \$0.95  |
| C) Shift GREC Prop Tax to Base Rate Revenue<br>\$112.1M + \$7.6M = \$119.7M   | \$195k   | \$0.42  | \$180k  | \$0.39  |
| D) Shift GREC All Above to Base Rate Revenue \$112.1M + \$65.4M = \$177.5M    | \$1.64 <b>M</b>  | \$4.16  | \$1.5M  | \$3.78  |



# Some Implications of GREC Cost Recovery Shift Into Retail Base Rate Revenue Requirement

- 1) Greater amount of GRU base rate electric revenue funds additional tax revenue:
  - > City Municipal Utility tax of 10% additional tax revenue retained by City of Gainesville (assess inside customers only)
  - > County Municipal Utility tax of 10% additional tax revenue retained by Alachua County (assess outside customers only)
  - Electric Surcharge of 10% additional surcharge revenue retained by GRU (assess outside customers only)
    All additional tax revenues would be paid by electric utility customers (with outside customers paying both utility tax AND surcharge assessment)
- 2) Certain GRU Customers/ Customer Classes would contribute less towards GREC's fixed costs when recovery of those costs are achieved through retail base rates
  - City of Alachua and Lighting (rental & street lighting) customer classes both would contribute less overall revenue with a lower FA rate, but would not have a corresponding increase contribution to GRU base rate revenue requirement if a cost shift occurs. City of Alachua is governed by contractual wholesale agreement terms and lighting service revenues are comprised of monthly fixed charges per fixture and poles. The remaining additional unallocated cost from Alachua and Lighting class would have to be recovered through retail customers' base rates.
- 3) Per bond covenants, increased GRU base rate revenues are subject to mandatory formulaic UPIF contribution funding. Greater required UPIF contributions exert short-term upward retail rate pressure but would lower borrowing needs to fund capital expenditures in future.



#### Sample Total Revenue Requirement Comparison (\$ in Millions)

| <u>FA Revenue Requirement</u> -<br>Customer Class Breakout                            | Recover ALL GREC Fixed<br>costs via Fuel Clause<br>\$160.3 FY 15 Fuel Budget                    | Shift GREC Fixed Costs out<br>of Fuel Recovery and<br>Into Retail Base Rate<br>Recovery of ( <u>\$65.4)</u> | Resulting Lowered FA<br>Revenue Requirement after<br>GREC Fixed Cost Shift |
|---|---|---|--|
| Residential   | \$62.2  | (\$28.7)  | \$33.5   |
| Commercial (GSN,GSD,LP)   | \$73.3  | (\$33.6)  | \$39.7   |
| Lighting  | \$1.9   | (\$0.9)   | \$1.0  |
| City of Alachua   | \$7.7   | (\$2.2)   | \$5.5  |
| All Other Fuel Revenues (Winter Park, Embedded, RECs)                                 | \$15.2  | 0   | \$15.2   |
| Total Native Load FA Revenue  | \$160.3   | (\$65.4)  | \$94.9   |
|   |   |   |  |
| Retail Base Rate Revenue  | Recover NO GREC Fixed   | Shift GREC Fixed Costs out  |  |
| Requirement - Customer Class Breakout   | costs via Retail Base Rates -<br><u>\$112.7 Rev Req – FY 15</u><br><u>Budget</u>                | of Fuel Recovery and<br>Into Retail Base Rate<br>Recovery of <u>\$65.4</u>                                  | Resulting Increased Retail<br>Base Rate Revenue<br>Requirement             |
| Requirement - Customer  | costs via Retail Base Rates -<br>\$112.7 Rev Req – FY 15  | of Fuel Recovery and<br>Into Retail Base Rate   | Base Rate Revenue  |
| Requirement - Customer<br>Class Breakout  | costs via Retail Base Rates -<br><u>\$112.7 Rev Req – FY 15</u><br><u>Budget</u>                | of Fuel Recovery and<br>Into Retail Base Rate<br>Recovery of <u>\$65.4</u>                                  | Base Rate Revenue<br>Requirement   |
| Requirement - Customer Class Breakout Residential                                     | costs via Retail Base Rates -<br>\$112.7 Rev Req – FY 15<br><u>Budget</u><br>\$47.5             | of Fuel Recovery and Into Retail Base Rate Recovery of \$65.4   | Base Rate Revenue<br>Requirement<br>\$76.2                                 |
| Requirement - Customer Class Breakout  Residential  Commercial (GSN,GSD,LP)           | costs via Retail Base Rates -<br>\$112.7 Rev Req – FY 15<br>Budget<br>\$47.5<br>\$60.0          | of Fuel Recovery and Into Retail Base Rate Recovery of \$65.4   | Base Rate Revenue Requirement  \$76.2 \$93.6                               |
| Requirement - Customer Class Breakout  Residential  Commercial (GSN,GSD,LP)  Lighting | costs via Retail Base Rates -<br>\$112.7 Rev Req – FY 15<br>Budget<br>\$47.5<br>\$60.0<br>\$5.2 | of Fuel Recovery and Into Retail Base Rate Recovery of \$65.4 \$28.7 \$33.6                                 | Base Rate Revenue Requirement  \$76.2 \$93.6 \$5.2                         |

