



GRU Cost of Service and Rate Study Introduction

Item 110665
Regional Utilities Committee
April 9, 2015

Introduction by GRU

- Rate study performed by Baker Tilly Virchow Krause, LLP
 - Baker Tilly performed previous study three years ago for Fiscal Year 2013
 - Baker Tilly performed current study for Fiscal Year 2016
- Rate recommendations included are based on last year's forecast and budgeted expenses for FY 16 (July 2014) which were the most current projections available for the timing of this study
- Forecast and Expenses currently being updated for FY 16 Budget presentation (July 2015)

Desired Rate Design Guidance

- Bring all tiered rates closer to the average cost
 - Tiered rates are defined by the size of the blocks and the rate differences between the blocks.
 - Changing the break point for tier blocks, and / or the rate differences between blocks, will have varying impacts on customers depending on usage levels
 - GRU currently has \$0.053/kWh (48%) differential between residential 1st tier block price and 3rd tier block price. Majority of other electric utilities in Florida have either uniform or two-tier block and less pronounced price differential between tier blocks.
 - Base Rates and Fuel Adjustment Committee (BRFA) recommended establishing residential electric rate structure at two tier blocks, breaking at 750 kWh per month

Desired Rate Design Guidance (cont.)

- Maximum cost differential between residential and non-residential customer classes
 - BRFA recommended policy for range of cost vs. revenue of residential vs. non-residential be limited to 5% as determined by cost-of-service studies
- Recover additional fixed costs associated with service availability and capacity within customer charge component
 - This will in many cases remove fixed charge recovery from usage/volume based rate components and result in lower offsetting usage based rates
 - Propose water customer charges to vary based on meter size (capacity) as opposed to current uniform customer charge for all users