



# GRU Cost of Service and Rate Study Introduction

Item #110665  
Gainesville City Commission  
May 7, 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 sales and budgeted expenses for FY 16 (Presented in 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
  - Base Rates and Fuel Adjustment Committee (BRFA) recommended establishing residential electric rate structure at two tier blocks, breaking at 750 kWh per month
  - RUC Member expressed desire for calculating a break at 1000 kWh
- 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
  - RUC supported recommendation
- Recover additional fixed costs associated with service availability and capacity within customer charge component
  - Propose water customer charges to vary based on meter size (capacity) as opposed to current uniform customer charge for all users
  - Multi-Family Water – RUC supported continued moderate increase in Kgal charge
  - Placing additional fixed cost recovery within customer charge component will allow for offsetting removal of this recovery out of usage/volume base rate components

# Desired Rate Design Guidance

- Service Fees
  - Reviewed by Baker Tilly or internally
  - Numerous small changes proposed to more accurately reflect cost/effort associated with providing those services
  - Staff to bring forward as part of upcoming budget sessions
- Keep Wastewater Winter Max Unchanged for FY16
  - Monthly maximum Wastewater Charges based on estimated non-use of system (minus irrigation)
  - Various methods used by utilities to account for wastewater charges
  - Additional customer feedback needed
  - RUC Supported Delay until FY17

# Additional Items

- Modification of how connection charges for business customers are calculated
  - Design to better reflect customers anticipated demand on plant and system
  - No significant revenue impact
  - Will meet with BANCF prior to budget
- Plan Review Application Fee
  - Based on discussions from Chamber of Commerce Small Business Growth Task Force Item 21 – Efficiency of GRU Plan Review Process
  - Provides service for assistance in utility planning & locates prior to plan submittal
  - Intended to recover some of costs for utility locates and engineering review for projects that are never built
  - No impacts on projects that are constructed
    - Up-front fees credited back to developer when project is constructed
  - Will meet with BANCF prior to budget

# Residential Electric Tiers

Florida Electric Utilities	Base Rate Tiering	Fuel Adjustment Tiering
<b>Investor-Owned Utilities (IOU)</b>	<ul style="list-style-type: none"> <li>*Two tiers</li> <li>*Break at 1,000 kWh</li> <li>*1 cent per kWh rate difference</li> </ul>	<ul style="list-style-type: none"> <li>*Two tiers</li> <li>*Break at 1,000 kWh</li> <li>*1 cent per kWh rate difference</li> </ul>
<b>Municipal Utilities</b>	<ul style="list-style-type: none"> <li>*Wide Variation</li> <li>*Some break at 750 kWh;</li> <li>*Some break at 1,000 kWh;</li> <li>*Some don't break at all</li> <li>*Rate differences between tiers vary</li> </ul>	<ul style="list-style-type: none"> <li>*No Tiering (Orlando exception-follows IOU rate structure)</li> </ul>
<b>GRU – current rate structure</b>	<ul style="list-style-type: none"> <li>*Three tiers</li> <li>*5.3 cents per kWh rate difference</li> <li>*Most pronounced rate difference for tiers among Florida electric utilities</li> </ul>	<ul style="list-style-type: none"> <li>*No Tiering</li> </ul>

# Desired Rate Design Guidance Summary

- Residential Electric Rates
  - Develop rates with two tiers? Break tiers at 750 kWh or 1000 kWh?
  - Tier Fuel Adjustment?
  - Limit Tier Differential rate to range or approximate percentage over/under cost?
    - GRU currently 5.3 cents tier differential; Investor Owned Utilities currently 2 cents
- Water Rates
  - Residential: general movement toward higher kgal charge
  - Nonresidential: general movement toward lower kgal charge
  - Customer charge: vary based on meter size (decrease for smaller meters; increase for larger meters)
  - Multi-family: moderate increase in kgal rate; varied impact depending on size of meter
- Wastewater Rates
  - General movement toward higher customer charge and lower kgal charge
  - Maintain existing winter max billing calculation for FY 16
- All Rates: Make significant cost-based rate component changes over a period of time rather than immediately in one year