



100 YEARS of SERVICE | 1912-2012

# Regional Utilities Committee

Item #110665  
Cost of Service

June 24, 2013



# Cost of Service Review

- Baker Tilly conducted Cost of Service Studies for Electric, Gas, Water and Wastewater Systems
- Results and options were presented to RUC in November 2012
- Study was based on FY 2013 cost and sales projections
- Findings were consistent with prior studies conducted by GRU staff

# Baker Tilly Results

- Study's cost allocation results show costs are being recovered and allocated between classes appropriately
- Recommended modifying *how* those costs are recovered and suggested:
  - recovering more costs in the fixed monthly customer charge, less in kWh or kgal charges
  - reviewing tiers in residential electric and water to optimize revenue recovery and assignment of costs

# Customer Charge - Electric

Customer Class	BT Calculated	BT Suggestion	GRU Actual 2013	GRU Proposal for 2014
Residential	\$ 21.12	\$ 17.20	\$ 8.67	\$12
General Service Non-Demand	\$ 47.28	\$ 41.28	\$ 26.00	\$30
General Service Demand	\$ 221.14	\$ 150.96	\$ 50.00	\$95
Large Power	\$ 3,386.14	\$ 1,758.31	\$ 300.00	\$350

# Residential Electric Tiers

- Current rate structure is an inclining block rate – price per unit increases as usage increases
- Three tier structure with breaks that are not tied to costs or usage patterns

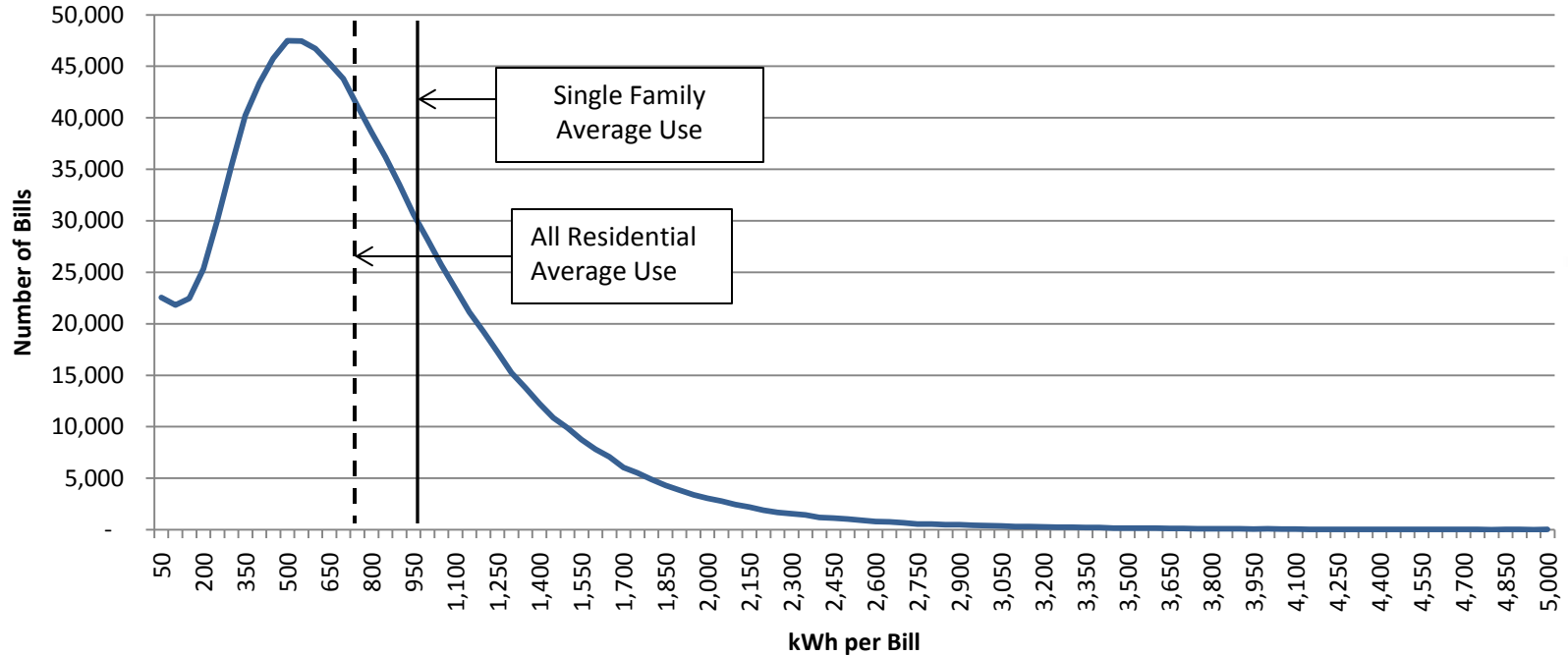
<b>Current Tiers</b>	<b>2013 Price per kWh</b>
0-250 kWh	\$0.034
251-750 kWh	\$0.068
Over 750 kWh	\$0.102

<b>Type of Residential</b>	<b>2012 Average Monthly kWh</b>
All Residential	762
Single Family	932
Multi-Family	619

# Distribution of Residential Bills

FY 2012

## Number of Residential Bills Issued by Usage Level



# Residential Electric Tiers

## Current Structure

Scenario A Three Tiers (Current)		
First Tier	0-250	\$0.034
Second Tier	251-750	\$0.068
Third Tier	Over 750	\$0.102

Type of Residential	2012 Average Monthly kWh
All Residential	762
Single Family	932
Multi-Family	619

- Current rate structure is an inclining block rate
- Tiers are not tied to costs or usage patterns
- Average cost per kWh delivered in 2013 was about \$0.068 after customer charge revenue excluded
- Increase first tier and customer charge going forward

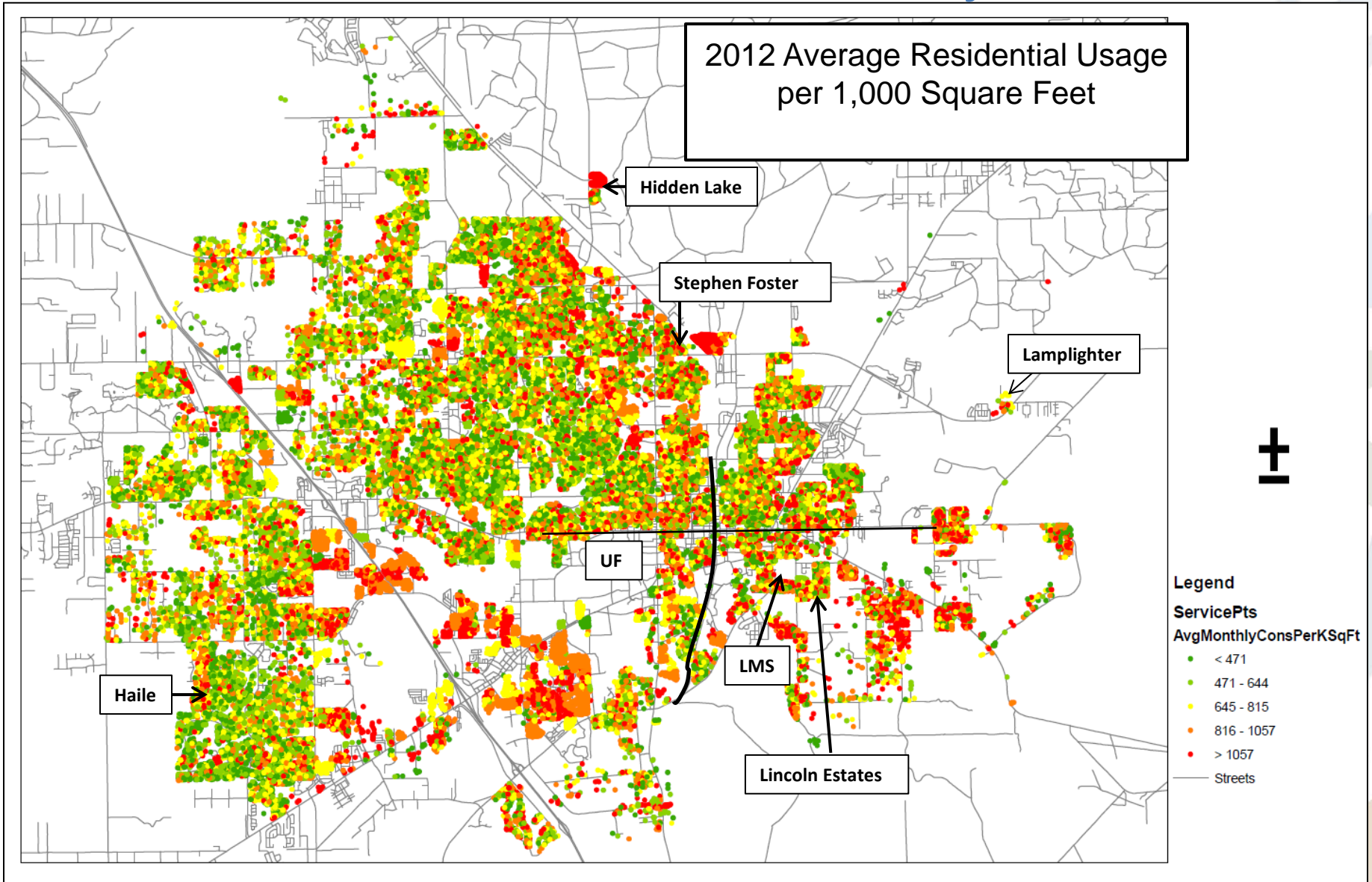
# Residential Electric Tiers Proposed Structure

<b>Scenario B Two Tiers</b>	<b>Type of Residential</b>	<b>2012 Average Monthly kWh</b>
0-1000 kWh	All Residential	762
Over 1000 kWh	Single Family	932
	Multi-Family	619

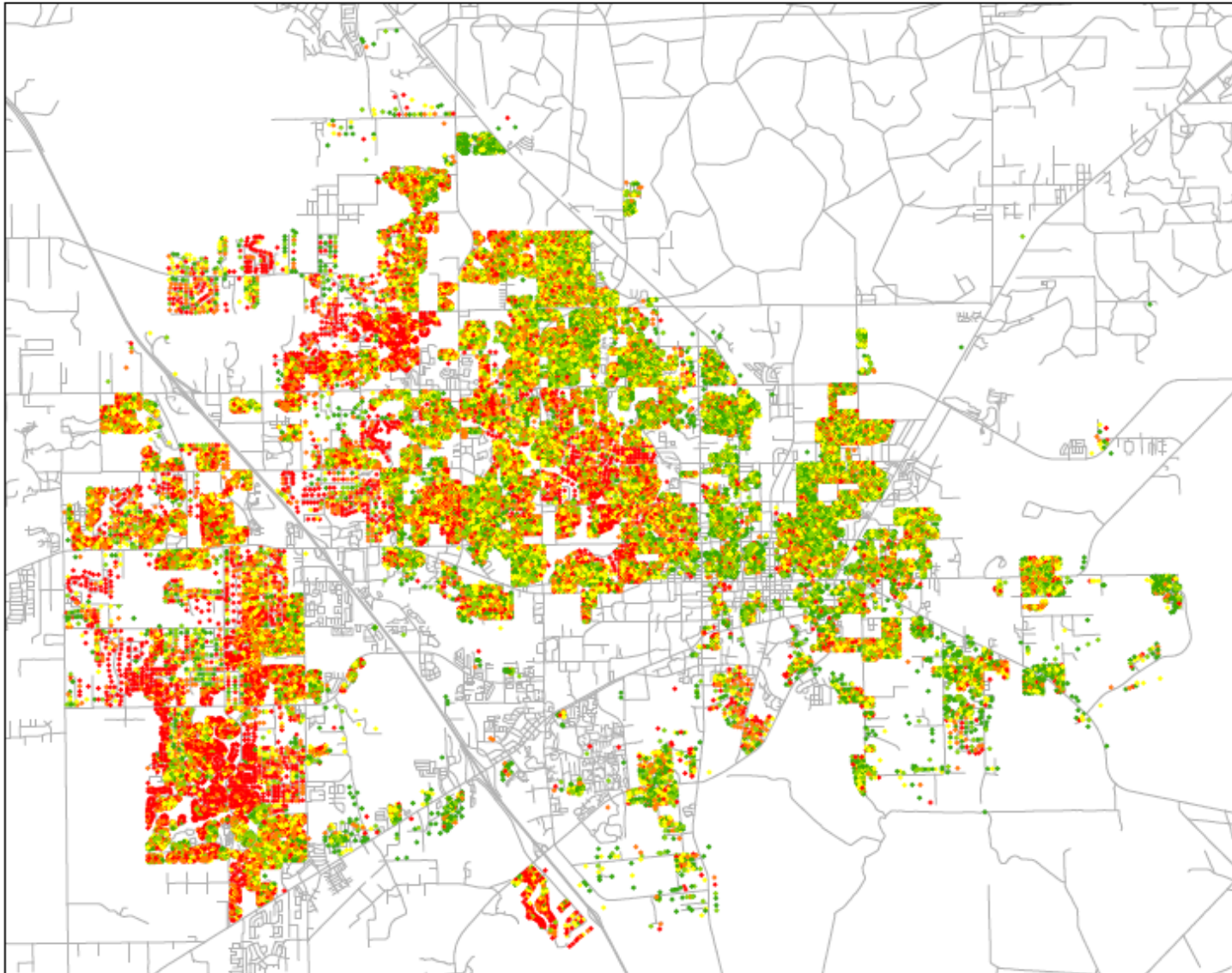
- Two tiers with break at 1000 kWh, close to single family average use of 932 kWh
- Continue inclining block rate
- Allows for pricing that is more consistent with costs
- First year change to this structure impacts low users the most, average customers the least, as underpriced first tier is replaced with wider first tier
- Low users not necessarily low income



# Usage Levels Vary Greatly Across the Service Territory



# Utility Bills Across the Service Territory



## Legend

### Single Family Detached Avg Monthly Bill -Total Utility

- < \$130
- \$131 - \$175
- \$176 - \$225
- \$226 - \$290
- > \$290

Include taxes and surcharges,  
where applicable

# Customer Charge - Water System

<b>Customer Class</b>	<b>BT Calculated</b>	<b>GRU Actual</b>	<b>GRU Proposal for 2014</b>
Residential	\$ 7.39	\$ 8.65	\$9.00
Commercial	\$ 11.82	\$ 8.65	\$12.00

# Water Rate Structure Proposal

- Current Residential Rate Structure
  - Tier 1: 0 – 7,000 gallons
  - Tier 2: over 7,000 – 20,000 gallons
  - Tier 3: over 20,000 gallons
- Proposing moving top of first tier to 6 kgals, the average monthly residential use for last three years
  - Tier 1: 0 – 6,000 gallons
  - Tier 2: over 6,000 – 20,000 gallons
  - Tier 3: over 20,000 gallons

# Proposed Multi-family Water Rate

- Multi-family water rate
  - No Tiers
  - Equivalent to second tier of Single Family Residential
  - Same customer charge as standard residential water

# Customer Charge - Wastewater

<b>Customer Class</b>	<b>BT Calculated</b>	<b>GRU Actual</b>	<b>GRU Proposal for 2014</b>
Residential	\$ 4.53	\$ 7.40	\$7.40
Commercial	\$ 4.53	\$ 7.40	\$7.40

# Customer Charge - Natural Gas

Customer Class	BT Calculated	BT Suggestion	GRU Actual	GRU Proposal for 2014
Residential	\$ 7.63	\$ 9.52	\$ 9.52	\$9.52
Small Commercial*	\$ 22.87	\$ 22.87	\$ 35.00	\$20.00
General Commercial	\$ 38.15	\$ 38.15	\$ 35.00	\$40.00
Large Volume Commercial	\$ 80.89	\$ 375.00	\$ 375.00	\$100.00

\* New class being proposed for FY 2014

# Add Small Commercial Gas Class

- For Commercial Customers who use a monthly average of 50 therms or less
- Commercial by function but gas usage is more like residential
- Lower customer charge to reflect standard metering and infrastructure
- Pricing falls between residential and general service commercial classes