

Rate Increases Historical and Proposed Fiscal Year 2018

Item #170182

July 13, 2017



Historical Revenue Requirement Increases

	2012	2013	2014	2015	2016	2017
Electric	1.72%	0.0%	-5.6%	-8.5%	0.0%	0.0%
Gas	0.0%	0.0%	0.85%	4.25%	4.75%	9.0%
Water	8.41%	3.5%	3.85%	3.75%	3.75%	3.0%
Wastewater	4.4%	3.0%	2.4%	4.85%	4.85%	3.0%

Projected Future Revenue Requirement Increases as Proposed

	2018	2019	2020	2021	2022	2023
Electric	2.00%	3.00%	4.00%	2.00%	1.00%	2.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Water	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Wastewater	0.00%	0.00%	0.00%	4.00%	4.00%	1.00%

(All future years after FY19 are subject to change)

Staff Recommendation

- GRU staff recommend the City Commission accept rates as proposed in presentation on 7/11/2017 keeping the Electric System base rate increase at 2%.

Option 1 – As Requested for 0% Electric rate increase

- Reduce GFT to City by \$2.6 million
- Will be funded by \$2.8 million City benefit from utility tax on GREC purchase (delay option - dependent on purchase)

Option 2 – As Requested

- Re-align GFT reducing Electric contribution \$800k, increasing GRUCom, based on operating income formula
- Increase vacancy factor to 8% lowering Electric labor budget by \$700k
- Reduce Electric O&M by \$50k
- Defer SAP O&M spending by \$1.2m overall which lowers Electric by \$720k
- Reduce Electric reserves by \$330k

Budgeted Personnel

- First budgeted FTE increase since 2012
 - Deleted 2 FTEs in FY17 budget, 20 FTEs in FY16
- Vacancy factor currently at 6%. Historically until FY 17 has been 3%.

Option 3 – As Requested

- Defer SAP O&M by \$2.5m overall which lowers Electric by \$1.5m
- Defer SAP capital by \$5.0m which reduces Electric debt service by \$180k
- Reduce Electric reserves by \$920k

Projected Future Revenue Requirement Increases as Requested by City Commission

(Option 3 scenario)

	2018	2019	2020	2021	2022	2023
Electric	0.00%	6.00%	4.00%	1.00%	1.00%	2.00%
Gas	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Water	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Wastewater	0.00%	0.00%	2.00%	4.00%	2.00%	1.00%

(All future years after FY19 are subject to change)

Option 4 – UAB Recommendation

- Reduce GFT contribution by \$2.4m for FY18 and FY19 budgets
- Reduce capital budget from \$106m to \$85m to equal the amount of debt service modeled
- No additional increase to Communication budget
- No change to current 2 tier electric rate

Proposed Residential Rate Summary – Average Usage

System	Usage	June 2017 Bill	Base Rate Change	Fuel Change	Proposed FY2018 Bill
Electric	800 kWh	\$104.65	\$0.80	\$4.00	\$109.45
Gas	20 therms	\$28.06	\$0.00	\$2.00	\$30.06
Water	5 kgal	\$23.00	\$0.00	N/A	\$23.00
Wastewater	4 kgal	<u>\$34.30</u>	<u>\$0.00</u>	<u>N/A</u>	<u>\$34.30</u>
Total Bill		\$190.01	\$0.80	\$6.00	\$196.81
Percentage Increase			0.42%	3.16%	3.58%

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