

Item #181051

FY20 Baseline Budget Rate Review – Part 2

May 14, 2019

Where we thought we would be

As Presented in FY19 Budget

- Declining cash & reserve balances
- Continued withdrawals from Rate Stabilization Fund (RSF)
- Increasing leverage

Rate Projections FY19 Budget Process (GFT @ \$38.285M)			
	FY20	FY21	FY22
Electric	4.00%	2.65%	2.25%
Water	1.00%	1.00%	1.00%
Wastewater	4.75%	4.00%	3.00%
Gas	0.00%	0.00%	0.00%

Bill Amount (based on average usage)				
	FY19	FY20	FY21	FY22
Electric 800 kWh	\$101.21	\$104.66	\$107.21	\$109.55
Water 5 kgal	\$23.00	\$23.21	\$23.43	\$23.65
Wastewater 4 kgal	\$34.30	\$35.93	\$37.35	\$38.49
Gas 20 therms	\$30.26	\$30.40	\$30.54	\$30.68
Total	\$188.77	\$194.20	\$198.53	\$202.37
Change		\$5.43	\$4.33	\$3.84

Steps to Improve GRU's Financial Position

FY20 Approach

- Reduced debt service FY20–FY21 by \$23.5 million
- Reduced O&M FY20–FY21 by \$21 million
- Instituted Cash Balance Policy
 - *Changed reserve requirements between systems*
- Proposed \$6 million reduction in GFT

A Few Changes to the Plan

FY20 Approach – update

- GFT reduction limited to either \$3 million, \$1.5 million or flat
 - *Results in the need for a minimum of a 5% increase in electric rates*
- Rates will need to increase based on approved level of GFT reduction

Bill Impact of GFT (\$3M Reduction)

Rate Projections FY20 Budget Process (\$3 million GFT Reduction)

	FY20	FY21	FY22
Electric	5.00%	3.00%	2.00%
Water	0.00%	0.00%	0.00%
Wastewater	0.00%	0.00%	0.00%
Gas	0.00%	0.00%	0.00%

Bill Amount (based on average usage)

	FY19	FY20	FY21	FY22
Electric 800 kWh	\$101.21	\$105.36	\$108.21	\$110.36
Water 5 kgal	\$23.00	\$23.00	\$23.00	\$23.00
Wastewater 4 kgal	\$34.30	\$34.30	\$34.30	\$34.30
Gas 20 therms	\$30.26	\$30.40	\$30.54	\$30.68
Total	\$188.77	\$193.06	\$196.05	\$198.34
Change		\$4.29	\$2.99	\$2.29

Bill Impact of GFT (\$1.5M Reduction)

Rate Projections FY20 Budget Process (\$1.5 million GFT Reduction)			
	FY20	FY21	FY22
Electric	5.50%	3.50%	2.00%
Water	0.00%	0.00%	0.00%
Wastewater	0.00%	0.00%	0.00%
Gas	0.00%	0.00%	0.00%

Bill Amount (based on average usage)				
	FY19	FY20	FY21	FY22
Electric 800 kWh	\$101.21	\$105.75	\$109.00	\$111.15
Water 5 kgal	\$23.00	\$23.00	\$23.00	\$23.00
Wastewater 4 kgal	\$34.30	\$34.30	\$34.30	\$34.30
Gas 20 therms	\$30.26	\$30.40	\$30.54	\$30.68
Total	\$188.77	\$193.45	\$196.84	\$199.13
Change		\$4.68	\$3.39	\$2.29

Bill Impact of GFT (Remains at \$38.285M)

Rate Projections FY20 Budget Process (No change to GFT)			
	FY20	FY21	FY22
Electric	6.00%	4.00%	2.00%
Water	0.00%	0.00%	0.00%
Wastewater	0.00%	0.00%	1.00%
Gas	0.00%	0.00%	0.00%

Bill Amount (based on average usage)				
	FY19	FY20	FY21	FY22
Electric 800 kWh	\$101.21	\$106.07	\$109.71	\$111.86
Water 5 kgal	\$23.00	\$23.00	\$23.00	\$23.00
Wastewater 4 kgal	\$34.30	\$34.30	\$34.30	\$34.63
Gas 20 therms	\$30.26	\$30.40	\$30.54	\$30.68
Total	\$188.77	\$193.77	\$197.55	\$200.17
Change		\$5.00	\$3.78	\$2.62

Where are we now?

Awaiting a Decision on GFT & Rates

- Approved GFT reduction comes with a corresponding rate change, because:
 - *Cash & reserve balances are tied to policy*
 - *GRU's operating budget has grown 2.85% over four years (appx. the rate of inflation)*
 - *No increase in FTEs, year over year*
 - *Capital Expenditure budget required for safe and reliable services*

Back to the Scorecard

At a Crossroads

- GRU must have cash from proposed package in scorecard to:
 - *Reduce leverage*
 - *Accelerate debt payments*
 - *Increase technology investment*

Scorecard Checklist	
Debt Service Reduction	✓
O&M Reductions	✓
GFT Reductions	?
Proposed Rates	?

Total Rewards Impact on GRU Payroll

Budgeted Labor, Plus Benefits (3-year Implementation in millions)						
FY20	Increase	FY21	Increase	FY22	Increase	Total
\$87.0		\$88.5		\$90.1		
1.5		1.6		1.6		
\$88.5	1.7%	\$90.1	1.8%	\$91.7	1.8%	5.3%

Projected Rate Impact			
	FY20	FY21	FY22
Electric	0.41%	0.42%	0.43%
Water	0.44%	0.45%	0.46%
Wastewater	0.42%	0.43%	0.44%
Gas	0.57%	0.59%	0.60%
Total	1.84%	1.89%	1.93%

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What's Next?

- ERP
- AMI
- Broadband



Questions?