



Legislation Text

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Review Of The GRU Cost Of Service and Rate Studies (B)

*****Estimated Presentation Time 45 Minutes*****

GRU staff periodically performs cost-of-service studies for the electric, gas, water and wastewater utility systems. Revenue requirements and rate designs are also developed by GRU staff and presented to the City Commission during the annual budget process. The last external cost-of-service and utility rate study was performed in 2012 and was based on a test year where the full costs of the GREC purchased power agreement were not fully integrated into GRU's overall revenue requirement. Additionally, the 2012 cost-of-service study recommended changes to the tiered residential electric rate structure, but those changes were not implemented. The City Commission directed GRU to have an external cost-of-service and utility rates study prepared as the basis for rate structure evaluations in Fiscal Year 2016.

Baker Tilly Virchow Krause, LLP was retained to perform the cost of service and rate studies for GRU based on the test year Fiscal Year 2016. The purpose of the current cost-of-service and rate studies are to address information regarding the appropriateness and adequacy of GRU's revenue requirements by system, unbundle and allocate each revenue requirement by function, type and cost driver, and classify revenue responsibility for each customer class. Additionally, rates have been designed and proposed by the consultant for inclusion in their final reports.

On April 9, 2015, the Regional Utilities Committee (RUC) received a presentation on the results of the cost-of-service and rate studies for each GRU system.

No fiscal impact at this time.

The City Commission:

- 1) receive a presentation from Baker Tilly Virchow Krause LLP on the results of the cost of service and rate studies for each GRU system based on the test year FY2016.
- 2) provide policy guidance on desired rate structure evaluations to be presented for consideration during the GRU FY2016 Budget presentations in July 2015.
- 3) refer wastewater winter max billing to the RUC.
- 4) Remove the Cost of Service Study item from the RUC referral list.