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Commissioner Todd Chase - Fuel Adjustment (B)

GRU staff gave a presentation to the Regional Utilities Committee (RUC) regarding Fuel Adjustment, RUC Item #121029, on June 24, 2013. In a continuation of the larger Commission's discussion from the June 20, 2013 City Commission meeting, the RUC requested staff to draft an agenda item for the July 18, 2013 City Commission meeting. This item was to include various options concerning the fuel adjustment billing component magnitude for the remainder of fiscal year 2013. The various options are listed below, and will be discussed at the meeting in more detail.

Any change from the present fuel adjustment billing component will impact the fuel levelization balance magnitude, and ultimately the timing at which the fuel adjustment billing component will need to be adjusted to reflect the cost components.

Alternative recommendations are:

1) Keep the current fuel adjustment billing component at 51 mills (5.1 cents per kwh) for the remainder of fiscal year 2013. Adjust the fuel adjustment billing component at the beginning of fiscal year 2014 to reflect the inclusion of biomass costs from the Power Purchase Agreement (PPA);

2) Reduce the fuel adjustment billing component during the final two months of fiscal 2013 (August and September) to reflect any current amount over the July 13, 2012 "Official Statement" projected levelization balance of \$21.8 million (see page 48 of the document). As of today, July 9, 2013, this amount is approximately \$1 million, reflecting the May 2013 cash balance. Adjust the fuel adjustment billing component at the beginning of fiscal year 2014;

3) Reduce the fuel adjustment billing component during the final two months of fiscal 2013 (August and September) to reflect the projected year-end fiscal 2013 (September 30, 2013) amount over the July 13, 2012 "Official Statement" projected levelization balance of \$21.8 million (see page 48 of the document). As of today, July 9, 2013, this amount is estimated to be approximately \$4.4 million. Adjust the fuel adjustment billing

component at the beginning of fiscal year 2014;

4) Reduce the fuel adjustment billing component during the final two months of fiscal 2013 (August and September) to a value between alternatives 2 and 3 above. Adjust the fuel adjustment billing component at the beginning of fiscal year 2014.

Note: As mentioned at the June 24, 2013 RUC meeting, the levelization balance is constantly in flux, based on many different variables, some of which include sales levels, fuel prices, generating unit reliability, market prices, etc. In fact, the values mentioned above have changed from those mentioned at that meeting, and will continue to change. The ultimate decision of the City Commission is one of timing relative to the use of the projected fuel levelization balance. Staff will present the latest available information at the July 18, 2013 City Commission meeting.