

2018 Electric Rate Study

PUAB Presentation

Past Rate Study 2015

- ▶ Where we were starting off at in 2016...
 - Negative cash balance
 - Rate increases of 8.3%, 2.4%, 2.4% (2016 through 2018 respectively)
 - Capital spending stair stepped at \$8.3, \$8.3, \$10.1 million per year
 - Implementation of PPA (Purchase Power Adjustment)

Between Then and Now

‘Plan the Work and Work the Plan’

Cash Balance

CY	Rate study	Actual
2016	\$3,000,000	\$6,627,256
2017	\$11,782,000	\$16,898,469
2018	\$22,533,000	\$25,200,000

Conservative approach on Capital spending in 2016

Present Rate Study 2018

► Where we are...

- Positive cash balance in line with the 2015 rate study
- Rate decreases of -2.0%, -2.0%, -2.0%
- Realignment of base PPA
- 2015 internal water loan repaid in full by 12/31/2018
- Capital spending returned to \$12 million per year with \$2 million additional for 3 years (2019–2021)
- Anticipated cash balance at end of 2021, \$30.3 million (~60 days)

How We Get There...

2019 Electric Financial Projection and Cost of Service Review
09/11/2018



Assumptions

- ▶ Growth rate of 0% in all three years (purchase = 1,409,355 MWh/year)
- ▶ Power Supply annual rates:
 - 2019 - 1.7% \$81.89/MWh
 - 2020 +0.8% \$82.94/MWh
 - 2021 - 4.7% \$78.94/MWh (*IMEA Debt Service*)
- ▶ Inflationary increases of 2.0%
- ▶ 2015 Water Utility loan repaid in full by December 31, 2018
- ▶ Adjust current base PPA from \$83.00/MWh to \$85.51/MWh without adjusting rates to realign with power supply cost
- ▶ Currently use a 6 month rolling PPA
- ▶ Capital plan at \$14 million/year

Projection of Financials

Projection with no rate adjustments (w/PPA adjustment)

PPA Charged (cost less base)	\$	0.0008	\$	0.0019	\$	(0.0023)
	Actual 2017	Projected 2019	Projected 2020	Projected 2021		
Charges for Services	\$152,849,899	\$ 157,092,293	\$ 157,092,293	\$ 157,092,293		
Purchased Power Adjustment	2,166,038	1,040,672	2,520,474	(3,116,867)		
Sales for Resale	2,301,111	2,488,916	2,520,829	2,399,256		
Miscellaneous	1,816,816	1,000,000	1,000,000	1,000,000		
Total Operating Revenue	\$159,133,864	\$ 161,621,881	\$ 163,133,596	\$ 157,374,681		
Purchased Power Cost	\$109,005,955	\$ 112,921,540	\$ 114,369,429	\$ 108,853,662		
Operations	5,813,862	6,048,742	6,169,717	6,293,111		
Distribution	6,567,000	6,832,307	6,968,953	7,108,332		
Other Operating Expenses	13,418,665	12,178,916	12,404,629	12,480,732		
Depreciation	14,253,884	14,920,544	14,920,544	14,920,544		
Total O&M	\$149,059,366	\$ 152,902,049	\$ 154,833,272	\$ 149,656,381		
Operating Income(Loss)	\$ 10,074,498	\$ 8,719,832	\$ 8,300,324	\$ 7,718,301		
Net investment income(loss)	166,432	\$ 98,876	\$ 148,540	\$ 198,240		
Capital Fees	4,070,120	1,425,000	1,425,000	1,425,000		
Interest Expense - Bonds	(1,089,005)	(688,732)	(591,696)	(509,195)		
Total Other Income & Expenses	\$ 3,147,547	\$ 835,144	\$ 981,844	\$ 1,114,045		
Net Income (Loss)	\$ 13,222,045	\$ 9,554,976	\$ 9,282,168	\$ 8,832,346		

Projection of Financials

Projection with no rate adjustments(w/PPA adjustment)

Projected Cash Flows

	Actual 2017	Projected 2019	Projected 2020	Projected 2021
Add Net Income	\$ 13,222,045	\$ 9,554,976	\$ 9,282,168	\$ 8,832,346
Add Back Depreciation Expense	14,253,884	14,920,544	14,920,544	14,920,544
LESS Debt Principal	2,702,519	3,142,900	2,674,650	2,587,300
LESS Water Loan Principal	2,570,490	-	-	-
LESS Repayment to GF	5,710,794	-	-	-
LESS Working Capital	4,202,077	-	-	-
Add Bond Sale Proceeds	0	0	0	0
Cash Available from Operations	\$ 12,290,049	\$ 21,332,620	\$ 21,528,062	\$ 21,165,590
Estimated Annual Capital Additions	7,729,630	11,400,000	11,588,000	11,779,760
Net Cash From Operations	\$ 4,560,419	\$ 9,932,620	\$ 9,940,062	\$ 9,385,830
Beginning Cash Balance	12,338,050	19,775,294	29,707,914	39,647,976
Ending Cash Balance	\$ 16,898,469	\$ 29,707,914	\$ 39,647,976	\$ 49,033,806

2019 Projection Summary

Projection with no rate adjustments (w/PPA adjustment)

Calendar Year	Projected Revenue Adjustments	Projected Revenues	Projected Expenses	Adjusted Operating Income(Loss)	Projected Cash Balances	Capital Improvement Plan	Debt Coverage Ratio	Debt to Equity Ratio
2019	0.0%	\$ 161,621,881	\$ 152,902,049	\$ 8,719,832	\$ 29,707,914	\$11,400,000	6.57	8.3%
2020	0.0%	163,133,596	154,833,272	8,300,324	39,647,976	11,588,000	7.59	7.0%
2021	0.0%	157,374,681	149,656,381	7,718,301	49,033,806	11,779,760	7.84	5.7%
Recommended Target in 2019				\$ 14,565,085			1.40	
Recommended Target in 2021				\$ 15,429,176			1.40	
Recommended MINIMUM Target in 2019					\$ 29,961,028			
Recommended MINIMUM Target in 2021					\$ 29,602,442			

2019 Projection Summary

Rate impacts related to PPA base change from \$83.00/MWh to \$85.51/MWh

Customer Class	Code	Revenue with Current Rates (PPA Base \$0.0830)	Revenue from PPA	Revenue with 2019 Rates (PPA Base \$0.0855)	Dollar Adjustment	Percent Increase
ResidentialRate-RES	RES	\$ 69,401,820	\$ 404,019	\$ 68,128,086	\$ (1,273,735)	-1.8%
General Service GS1Rate-GS1	GS1	19,892,804	120,299	19,513,542	\$ (379,262)	-1.9%
General Service Demand GS2Rate-GS2	GS2	52,129,010	367,658	50,969,908	\$ (1,159,102)	-2.2%
Primary PRIMRate-PRIM	PRIM	19,350,244	162,585	18,837,667	\$ (512,577)	-2.6%
Transmission TRANRate-TRAN	TRAN	414,598	2,604	406,388	\$ (8,210)	-2.0%
Metered Outdoor Lighting OLRRate-PtL	PtL	297,190	-	297,190	\$ -	0.0%
TOTAL Revenue from Rates		\$ 161,485,667	\$ 1,057,165	\$ 158,152,782	\$ (3,332,885)	-2.1%

Residential Rate Class:

Published rates unchanged, PPA base increased by \$0.0025

Current Rates		Proposed 2019 Rates	
Monthly Customer Charge:		Monthly Customer Charge:	
Customer Charge	\$ 15.60	Customer Charge	\$ 15.60
Energy Charge:		Energy Charge:	
Winter - All kWh	\$ 0.1135	Winter - All kWh	\$ 0.1135
Summer - All kWh	\$ 0.1135	Summer - All kWh	\$ 0.1135
PPA Charge:		PPA Charge:	
PPA Charge (0 - All kWh)	\$ 0.00329	PPA Charge (0 - All kWh)	\$ 0.00079
Revenues from Current Rates	\$ 69,401,820	Revenues from Proposed Rates	\$ 68,128,086
		Percentage Change from Current	-1.8%

2019 Projection Summary

Projection with rate adjustments as noted below

Calendar Year	Projected Revenue Adjustments	Projected Revenues	Projected Expenses	Adjusted Operating Income(Loss)	Projected Cash Balances	Capital Improvement Plan	Debt Coverage Ratio	Debt to Equity Ratio
2019	-2.0%	\$ 158,459,221	\$ 152,902,049	\$ 5,557,173	\$ 26,545,255	\$11,400,000	5.74	8.3%
2020	-2.0%	156,862,331	154,833,272	2,029,060	30,198,239	11,588,000	5.67	7.0%
2021	-2.0%	148,198,735	149,656,381	(1,457,645)	30,360,874	11,779,760	4.86	5.7%
Recommended Target in 2019				\$ 14,565,085			1.40	
Recommended Target in 2021				\$ 15,429,176			1.40	
Recommended MINIMUM Target in 2019					\$ 29,961,028			
Recommended MINIMUM Target in 2021					\$ 29,602,442			

2019 Projection Summary

Projection with no rate adjustments(w/PPA adjustment)

Debt Coverage Ratio

	Projected 2019	Projected 2020	Projected 2021
Add Net Income	\$ 9,554,976	\$ 9,282,168	\$ 8,832,346
Add Depreciation Expense	14,920,544	14,920,544	14,920,544
Add Interest Expense	688,732	591,696	509,195
Cash Available for Debt Service	\$ 25,164,252	\$ 24,794,408	\$ 24,262,085
Debt Principal and Interest	\$ 3,831,632	\$ 3,266,346	\$ 3,096,495
Projected Debt Coverage Ratio (Covenants)	6.57	7.59	7.84
Minimum Debt Coverage Ratio	1.40	1.40	1.40

2019 Projection Summary

Projection with no rate adjustments(w/PPA adjustment)

Recommended Minimum Cash Reserve

O&M Less Depreciation & P/S Expense	\$ 22,571,049	\$ 23,022,470	\$ 23,482,919
Annual Power Supply Expense	115,410,456	116,890,258	111,252,917
Historical Rate Base (less IMEA Participation)	469,680,327	481,268,327	493,048,087
Current Portion of Debt Service	3,266,346	3,096,495	2,775,703
Five Year Capital Improvements - Net of bond proceeds	58,917,978	58,917,978	58,917,978

	Percent Allocated	Projected 2019	Projected 2020	Projected 2021
O&M Less Depreciation & P/S Expense	12.3%	\$ 2,782,732	\$ 2,838,387	\$ 2,895,154
Annual Power Supply Expense	6.8%	7,901,576	8,002,890	7,616,930
Historical Rate Base (less IMEA Participation)	1%	4,696,803	4,812,683	4,930,481
Current Portion of Debt Service	86%	2,796,321	2,650,912	2,376,281
Five Year Capital Improvements - Net of bond proceeds	20%	11,783,596	11,783,596	11,783,596
Recommended Minimum Cash Reserve		\$ 29,961,028	\$ 30,088,467	\$ 29,602,442
Projected Cash Reserves		\$ 29,707,914	\$ 39,647,976	\$ 49,033,806

2019 Cost of Service

Cost of service results

Customer Class	Cost of Service	Projected Revenues	% Change
Residential	\$ 73,023,370	\$ 68,120,512	7%
General Service GS1	21,819,369	19,511,287	12%
Street Lights SL	644,108	-	
Metered Outdoor Lighting OLR	265,502	297,190	-11%
General Service Demand GS2	49,398,304	50,963,016	-3%
Primary PRIM	18,377,316	18,834,619	-2%
Transmission TRAN	450,247	406,339	11%
Total	\$ 163,978,217	\$ 158,132,965	3.7%

2019 Cost of Service

Cost of service customer charges

Total Cost of Service Rates - Annual

Customer Class	Current Customer Charge	COS Customer Charge	Annual	
			Demand	Energy
Residential	\$ 15.60	\$ 18.75	\$ -	\$ 0.1212
General Service GS1	30.65	37.71	-	0.1284
Street Lights SL		1.65	-	0.1020
Metered Outdoor Lighting OLR	30.65	13.53	-	0.1055
General Service Demand GS2	30.65	120.08	18.08	0.0584
Primary PRIM	127.35	147.18	19.09	0.0557
Transmission TRAN	127.35	586.58	21.60	0.0539

The Future

- ▶ We control our destiny (to a certain extent)...
 - Continue to monitor cash balance
 - Complete a 2021 Rate Study
 - Cost of Service Analysis
 - Rate Design
 - Base PPA
 - Capital spending returned to \$12 million per year
 - Evaluate 'catch-up' spending
 - Evaluate aging system integrity needs
 - Continue to monitor legislation and its impacts on power supply cost

Recommendation

- Decrease rates by 2.0% per year for 3 years (2019–2021)
- Realignment of base PPA from \$83.00 to \$85.51 /MWh
- Pay off the 2015 internal water loan by 12/31/2018
- Increase Capital spending to \$14 million per year for 3 years (2019–2021)

QUESTIONS?? and THANK YOU!!