

TOWN OF EATONVILLE

Future of our Electric Health and Sustainability

June 11, 2015

TOPICS

- Elements of the Electric Fund
- Strategic Plan
- Electric Rate
 - Base Rate
 - kWh Rate
- Operating Costs
 - BPA – Wholesale Electric and Transmission Fee
 - Salaries/Benefits and other M&O
- 10-Year Capital Improvement Plan
 - Projects
 - Costs
- Financial Reserves
- Rate Increase
 - Business as Usual
 - Funding Capital Improvement Plan
- Effective Date

ELEMENTS OF THE ELECTRIC FUND³

- The Town owns and operates a 15-kV electric distribution system.
- Customers – 1,188 in 2014
 - 996 Residential
 - 145 Commercial
 - 47 Governmental
- Revenue Requirement – overall revenues to cover all expenses and reserves
- Expenses – Rising Costs
 - BPA Wholesale Power Expense
 - BPA Transmission Fee
 - Salaries/Benefits
- Capital Improvements
- Reserves

No Rate Increase – Over 14 years

STRATEGIC PLAN

- Electric Utility Strategic Plan prepared by EES Consulting and presented to the Town in September 2014.
- Components:
 - Revenue Requirements
 - Power Supply & Transmission
 - Maintenance & Operations
 - Capital Plan
 - ✓ Business as Usual Funding
 - ✓ Capital Improvement Plan (CIP) Funding
 - Debt Service
 - Electric Utility Fund Balance

ELECTRIC RATE

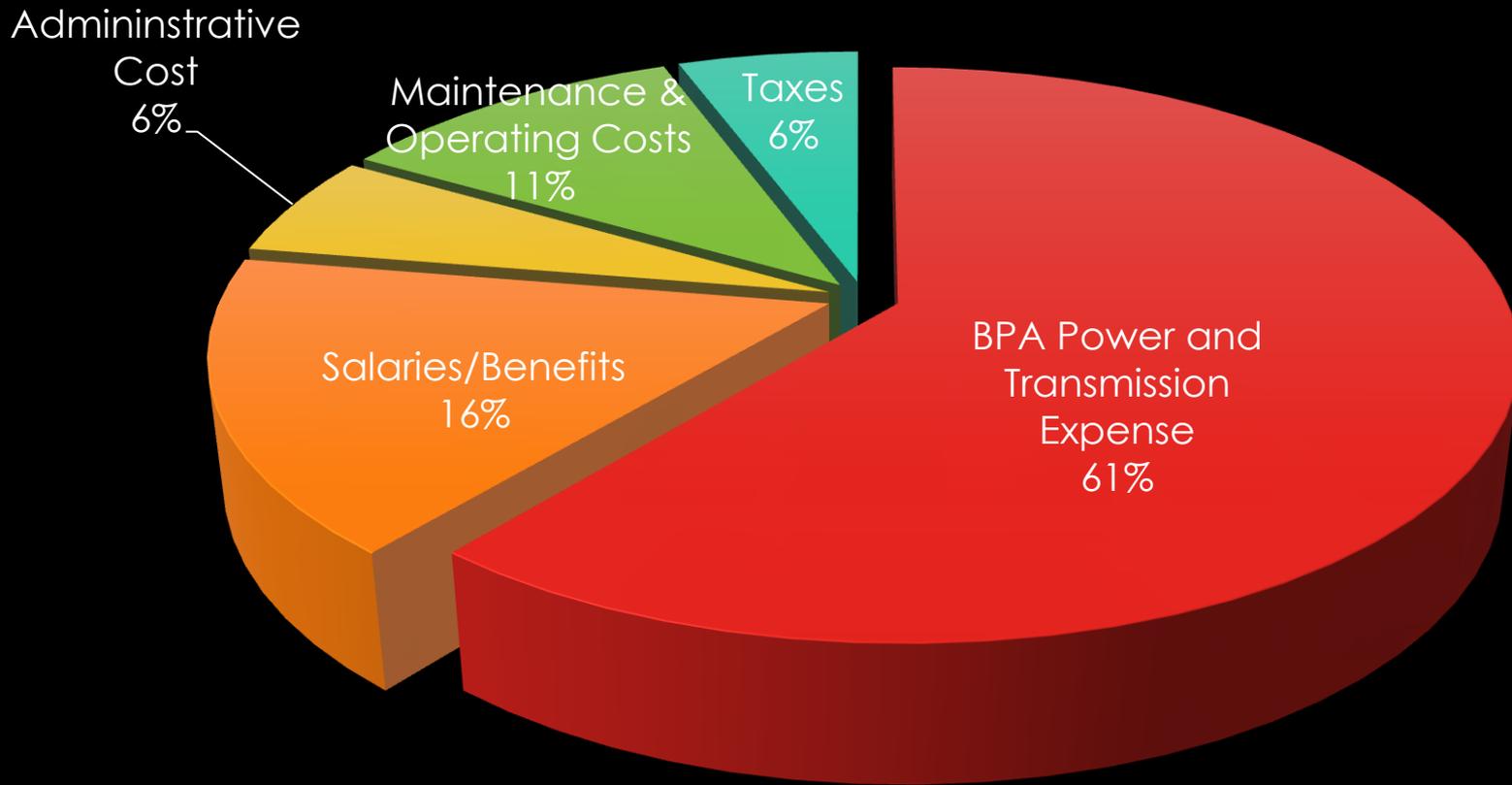
- Base Rate
 - Covers part of the fixed operating costs necessary to provide electrical service.
 - Residential - \$20.27/month
 - Commercial - \$20.27/month
 - 3-Phase – \$40.27/month
 - Governmental - \$20.27/month
- kWh Rate
 - Consumption – Covers cost of wholesale power, transmission fee, capital, debt service and taxes.
 - All customers - \$.0550/kWh

ELEMENTS OF CASH BASIS REVENUE REQUIREMENT

- + Maintenance & Operations Expenses (M&O)
 - Power Supply Expense
 - Transmission Expense
 - Maintenance and Operation
 - + Capital Improvement with Operating Revenues
 - + Debt Service (Principal & Interest)
 - + Taxes
-
- = Total Revenue Requirement

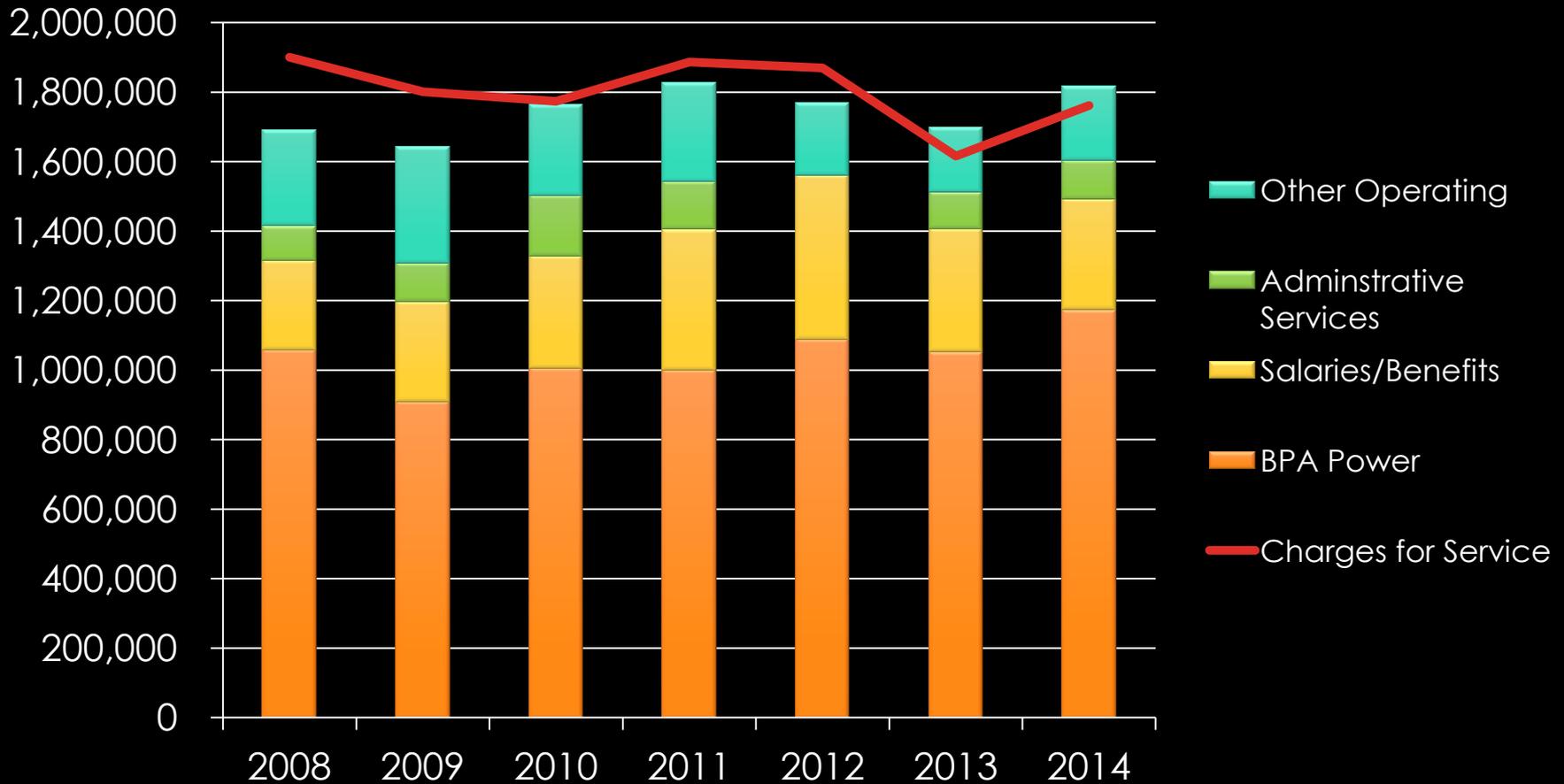
ELECTRIC FUND MAINTENANCE AND OPERATING EXPENSES

CALENDAR YEAR 2014



OPERATING REVENUES AND EXPENSES⁸

2008-2014



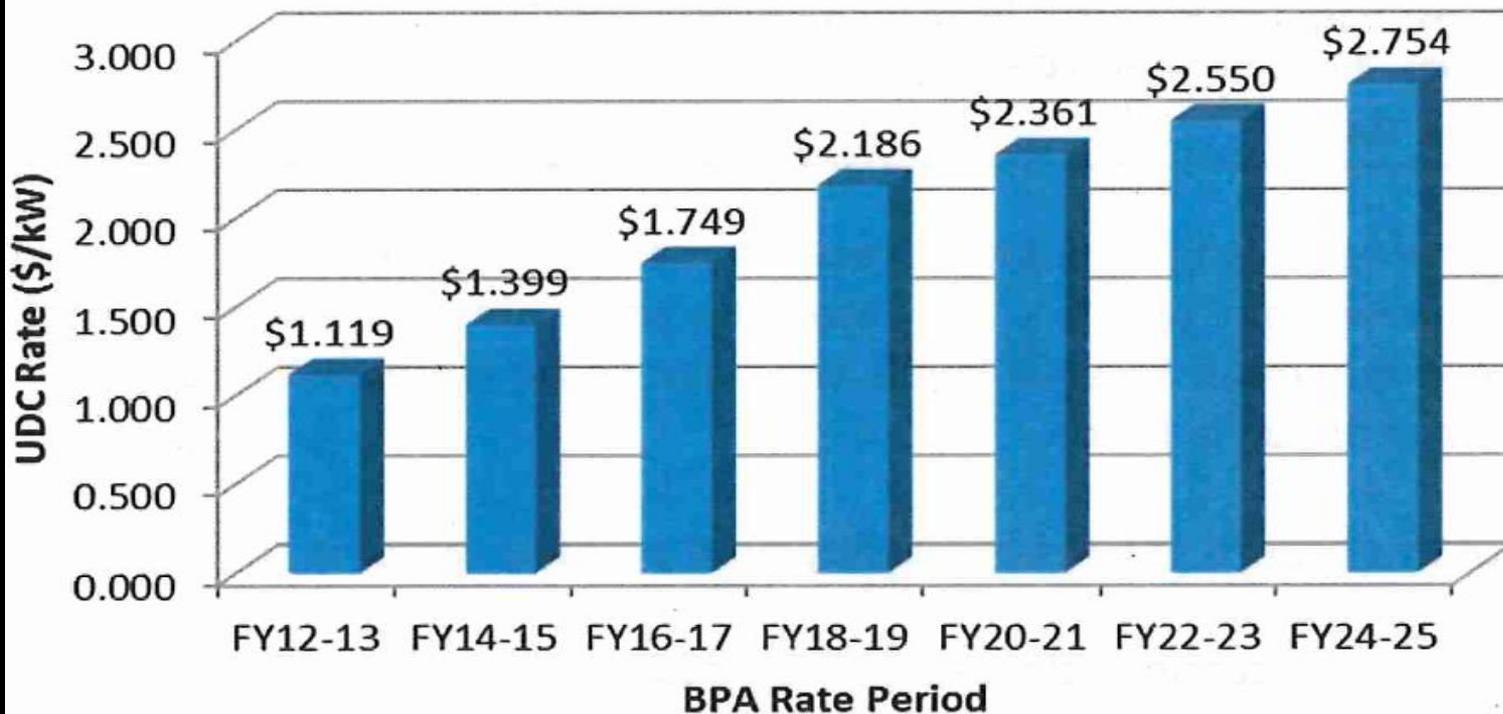
OPERATING COSTS

- What costs have increased?
 - Salaries – 3% per year
 - Benefits – 5% per year
 - BPA Transmission Fee – 25% per year (2014-2015)
 - Per Strategic Plan – 25% per year through 2018, 8% per year 2019-2024
 - Aging Infrastructure needing replaced.

ESTIMATED BPA TRANSMISSION FEE

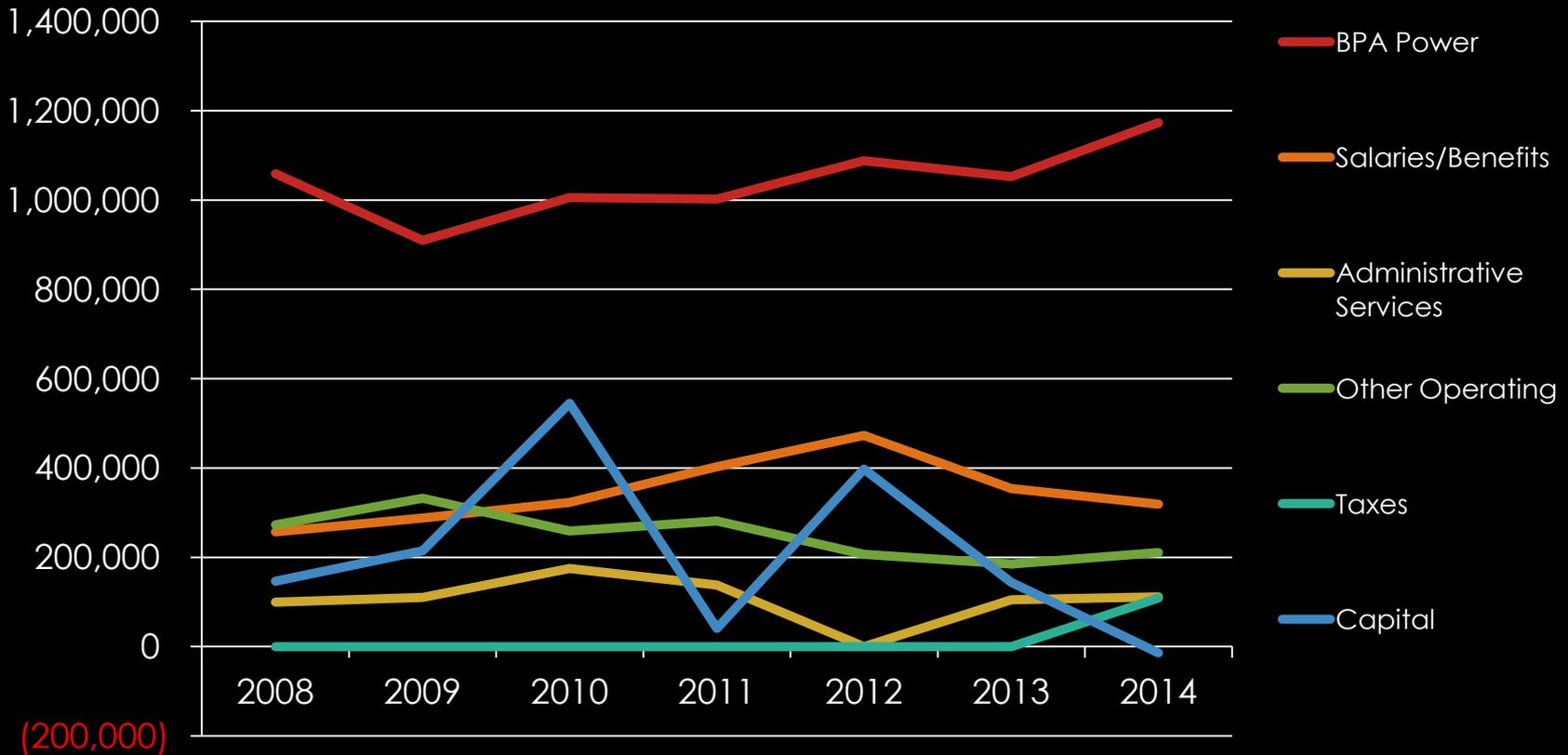
CALENDAR YEARS 2015-2025

Figure A-1
Estimated BPA Utility Delivery Charge



ELECTRIC FUND EXPENSES

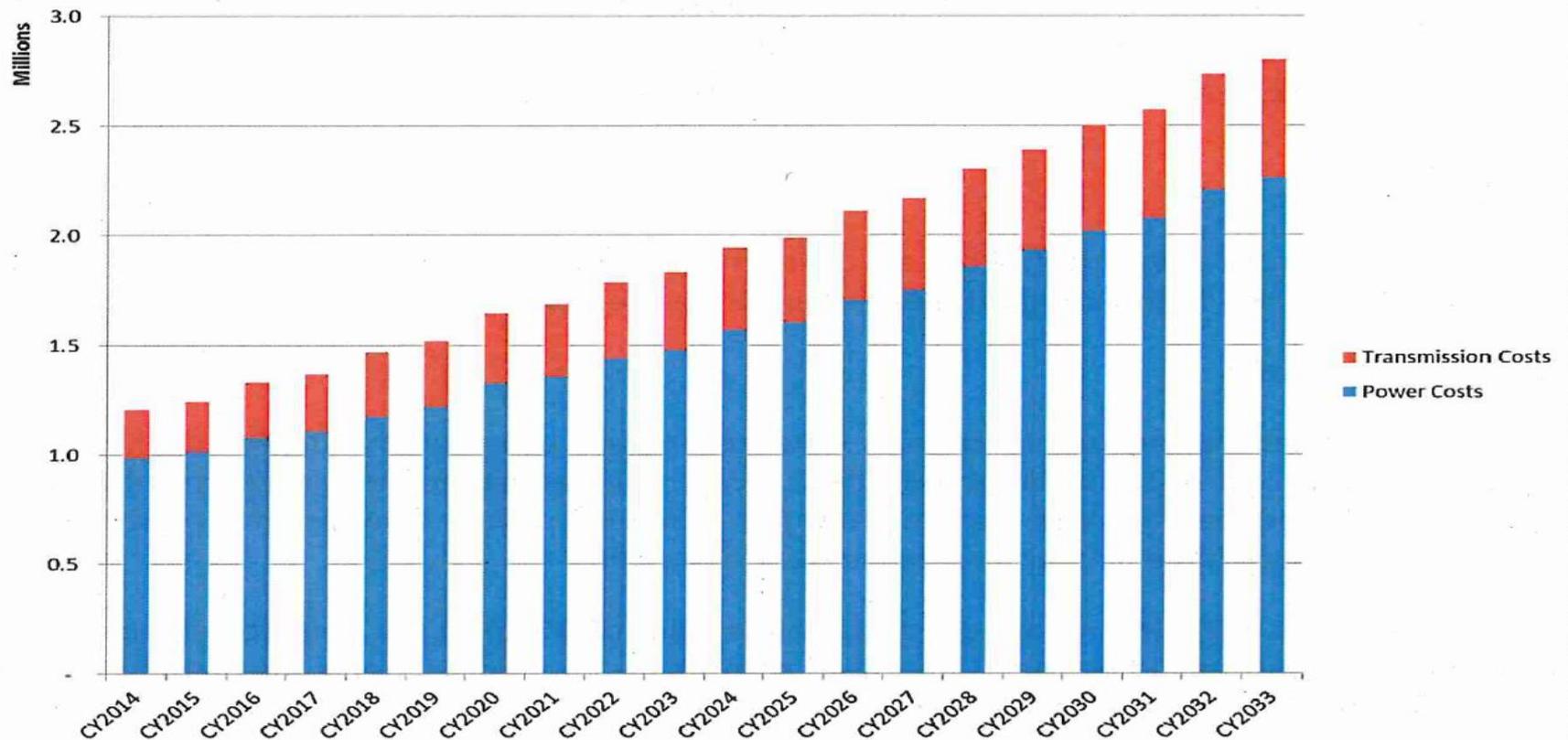
2008-2014



PROJECTED POWER & TRANSMISSION COSTS

CALENDAR YEARS 2015-2033

Figure 2
Projected Power and Transmission Costs (\$ Million)



10-YEAR CAPITAL IMPROVEMENT PLAN

Table 2
Estimated Capital Project Costs
(\$ 2014)

Project	2014	2015	2016	2017	2018	2019 to 2024	10 Year Total
Distribution Asset Replacement Program	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 300,000	\$550,000
LED Street Light Replacement Program	\$29,300	\$29,300	\$29,300	\$29,300	\$29,300	\$175,800	\$322,300
Underground Cable Section near Middle School	\$26,000						\$26,000
Rebuild Overhead Tie Section	\$23,000						\$23,000
Distribution System Protection Study	\$16,000						\$16,000
Cable Replacement at Mill Village Trailer Court		\$55,000					\$55,000
Replace Cable near 622 Eatonville Hwy W		\$ 6,000					\$6,000
Alternate Feed to Sewer Plant			\$105,000				\$105,000
Cable Replacement at Madison Trailer Court				\$10,000			\$10,000
Cable Replacement near Jet Ct. E				\$ 9,000			\$9,000
Underground project on Berggren Road N				\$15,000			\$15,000
Relocate Alleyway Lines near Ridge Road					\$ 75,000		\$75,000
Carter Street Underground					\$ 29,000		\$29,000
TOTAL	\$ 144,300	\$ 140,300	\$ 184,300	\$ 113,300	\$ 183,300	\$ 475,800	\$1,241,300

PROPOSED MINIMUM RESERVE LEVELS PER STRATEGIC PLAN

Table A-1

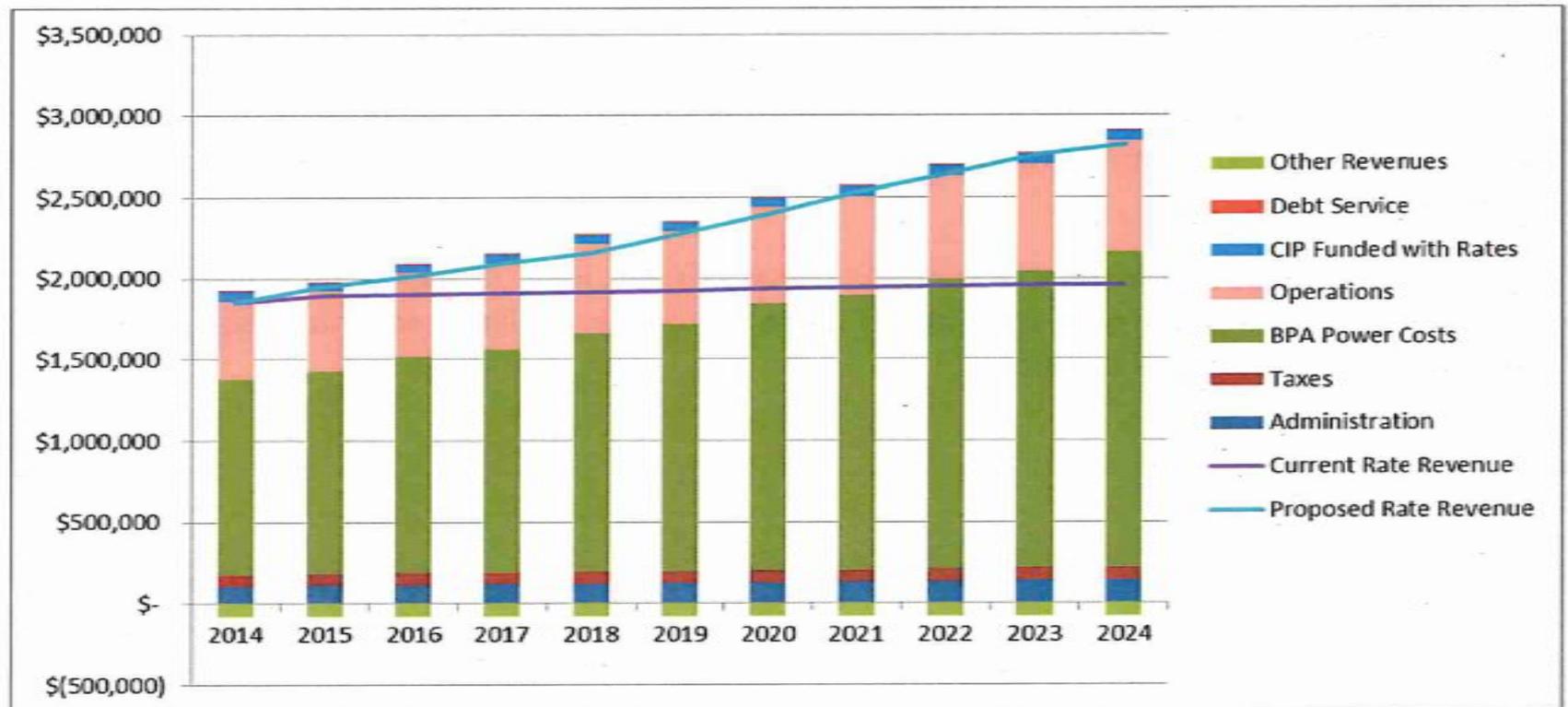
Proposed Minimum Reserve Levels

Liquidity: Based on 1 Month Power Supply Costs and 1/8 th of O&M	\$160,000
Emergency Reserves – Operating contingency: 10% of O&M Expenses	50,000
Emergency Reserves – Equipment Failure: 2% of Gross Plant	30,000
CIP (New) Reserves: Based on Projected Need for New CIP	TBD
CIP (R & R) Reserves: Based on Annual Depreciation (Restricted)	50,000
Minimum Reserves Total	\$290,000

BUSINESS AS USUAL FUNDING MODEL

REVENUES AND EXPENSES

Figure 3
Business As Usual Revenues and Expenses



BUSINESS AS USUAL PROPOSED RATE ADJUSTMENT

CALENDAR YEARS 2015-2024 - PER STRATEGIC PLAN

Table 4
Business as Usual
(2014 Dollars)

CY	Revenue Requirement	Proposed Rate Adjustment	Electric Fund Balance After Rate Adjustment	Residential Estimated Monthly Bill (1,300 kWh)
2014	\$ 1,847,808	0.0%	\$ 162,036	\$ 91.77
2015	\$ 1,900,081	3.0%	\$ 211,929	\$ 94.52
2016	\$ 2,011,407	3.0%	\$ 218,272	\$ 97.36
2017	\$ 2,074,802	3.0%	\$ 232,664	\$ 100.28
2018	\$ 2,196,599	3.0%	\$ 195,313	\$ 103.29
2019	\$ 2,271,980	5.0%	\$ 199,807	\$ 108.45
2020	\$ 2,423,187	5.0%	\$ 176,320	\$ 113.87
2021	\$ 2,490,530	5.0%	\$ 217,067	\$ 119.57
2022	\$ 2,617,258	4.0%	\$ 239,841	\$ 124.35
2023	\$ 2,692,351	4.0%	\$ 302,830	\$ 129.33
2024	\$ 2,833,282	2.0%	\$ 289,603	\$ 131.91
NPV	\$18,748,541			

CAPITAL IMPROVEMENT PROJECTS FUNDING MODEL

REVENUES AND EXPENSES

Figure 4
CIP Funding Scenario



CAPITAL IMPROVEMENT PROJECTS PROPOSED RATES

CALENDAR YEARS 2015-2024 – PER STRATEGIC PLAN

Table 4
CIP Funding Scenario
(2014 Dollars)

CY	Revenue Requirement	Proposed Rate Adjustment	Electric Fund Balance After Rate Adjustment	Residential Estimated Monthly Bill (1,300 kWh)
2014	\$ 1,942,108	0.0%	\$ 67,736	\$ 91.77
2015	\$ 1,993,090	7.0%	\$ 100,347	\$ 98.19
2016	\$ 2,153,886	6.0%	\$ 103,622	\$ 104.09
2017	\$ 2,143,972	5.0%	\$ 236,561	\$ 109.29
2018	\$ 2,346,629	3.0%	\$ 243,191	\$ 112.57
2019	\$ 2,305,947	0.0%	\$ 300,119	\$ 112.57
2020	\$ 2,458,172	3.0%	\$ 285,281	\$ 115.95
2021	\$ 2,526,566	3.0%	\$ 286,927	\$ 119.42
2022	\$ 2,654,374	5.0%	\$ 294,743	\$ 125.40
2023	\$ 2,730,580	2.0%	\$ 289,195	\$ 127.90
2024	\$ 2,872,658	5.1%	\$ 290,338	\$ 134.43
NPV	\$19,365,268			

PROPOSED RATE ADJUSTMENT

BAU VS. CIP – PER STRATEGIC PLAN

Table 5
Comparison Metrics for 2014 – 2024
(2014 Dollars)

CY	Business As Usual		CIP Funding	
	Revenue Requirement	Proposed Rate Adjustment	Revenue Requirement	Proposed Rate Adjustment
2014	\$ 1,847,808	0.0%	\$ 1,942,108	0.0%
2015	\$ 1,900,081	3.0%	\$ 1,993,090	7.0%
2016	\$ 2,011,407	3.0%	\$ 2,153,886	6.0%
2017	\$ 2,074,802	3.0%	\$ 2,143,972	5.0%
2018	\$ 2,196,599	3.0%	\$ 2,346,629	3.0%
2019	\$ 2,271,980	5.0%	\$ 2,305,947	0.0%
2020	\$ 2,423,187	5.0%	\$ 2,458,172	3.0%
2021	\$ 2,490,530	5.0%	\$ 2,526,566	3.0%
2022	\$ 2,617,258	4.0%	\$ 2,654,374	5.0%
2023	\$ 2,692,351	4.0%	\$ 2,730,580	2.0%
2024	\$ 2,833,282	2.0%	\$ 2,872,658	5.1%
NPV	\$18,748,541	Annual Avg. 3.9%	\$19,365,268	Annual Avg. 4.1%

PROPOSED ELECTRIC RATES

- Base Rate
 - Residential: Current \$20.27 to Proposed: \$19.50
 - Commercial: Current \$20.27 to Proposed: \$25.50
 - Governmental: Current 20.27 to Proposed: \$56.50
- kWh
 - From single rate of \$.0550 to tiered rate.
- Demand Rate (3-Phase Commercial/Governmental)
 - Current: \$4.50 to Proposed: \$4.73
- Overall increase approximately **5%** per year for 2015 and 2016.
 - 2016 increase to kWh rate only.
- Effective date for rate increase would be July 1st each year.
- In Spring 2017, review fund for ongoing stability. If necessary, implement CIP adjustment to base and kWh rates to keep up with inflation.

RESIDENTIAL RATES

- Base Rate
 - \$19.50
- kWh
 - 0 - 1,000 kWh = \$0.05775
 - 1,001 – 2,000 kWh = \$0.05858
 - Over 2,000 kWh = \$0.05968
- 1,300 Average kWh monthly bill
 - Current: \$91.77/month
 - Proposed: \$94.82/month

COMMERCIAL RATES

- Base Rate
 - \$25.50
- kWh
 - 0 - 5,000 kWh = \$0.05572
 - 5,001 – 7,500 kWh = \$0.05775
 - Over 7,500 kWh = \$0.05858
- Demand Charge – 3-Phase Users
 - \$4.73

GOVERNMENTAL RATES

- Base Rate
 - \$56.50
- kWh
 - 0 - 10,000 kWh = \$0.05463
 - 10,001 – 20,000 kWh = \$0.05646
 - Over 20,000 kWh = \$0.05795
- Demand Charge – 3-Phase Users
 - \$4.73

QUESTIONS

- Thank You