



PRESENTED BY GDS ASSOCIATES, INC.

COST OF SERVICE & RATE STUDY

Presentation of Final Draft Results

April 3, 2024

FUTURE RATE INCREASES

- Rate Study indicates the need for revenue increases in FY28.**
- Recommend ongoing annual review of need for increase based on anticipated cost of service. 45%-50% of total expenses recovered in base rates is cost of power generation/procurement and these costs may vary significantly from expected amounts.**
- Focus on maintaining DSCR and monitoring progress towards reserve funding goals.**

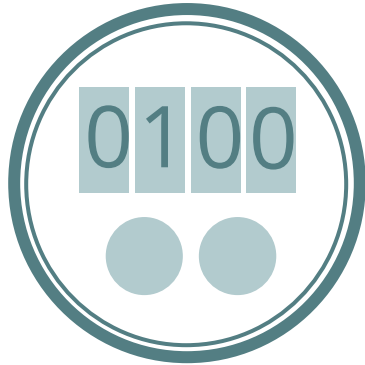
COST OF SERVICE

- Cost of Service indicates relatively minor intra- and inter-class subsidies exist, which we recommend be addressed at the time of the next rate increase or general change in rate structure.**
- Consider further increase in fixed charges for residential customers, based on cost of service and charges for neighboring utilities.**
- Recommend Small Commercial and Small County customers get a smaller increase relative to the overall system.**
- Recover costs related to lighting customers through separate fees to the greatest extent possible.**

ALTERNATIVE RATE DESIGN

- A new billing system is needed to implement demand or TOU rates.
- Alternative rates will reduce demand at times of system peak, leading to lower costs and incentivizing off-peak usage (for instance EV charging).
- We recommend an energy-based time variable rate as it is easier to implement, understand, and provides the same benefits as a demand-based rate. Other local utilities have adopted energy-based time variable rates.
- We recommend that the rate be “opt-out,” allowing customers to continue taking service under standard rates.

NET METERING VS NET BILLING



In net metering, the amount of consumption used to calculate the bill or credit to a customer is based on a single, or net, value calculated "at the meter." This can be visualized as the meter running "forwards" when energy is being taken from the utility and "backwards" when energy is exported to the utility, resulting in a single positive or negative value.

Net Consumption

Energy Received > Energy Exported

Consumed from Grid = 1,000 kWh
Exported to Grid = 800 kWh

200 kWh Net Consumption

Collected from Customer = 200 kWh x Retail Rate

Net Export

Energy Received < Energy Exported

Consumed from Grid = 800 kWh
Exported to Grid = 1,000 kWh

200 kWh Net Generation

Paid to Customer = 200 kWh x Generation Credit

NET METERING VS NET BILLING

In net billing, both consumption and exports are shown as separate values on the bill. The product of these separate values and their corresponding rates is netted "on the bill."

<u>Electric Bill</u>			
Type	Usage	Rate	
<u>Charge</u>			
Consumption	100	\$5	\$500
Generation	80	3	<u>(240)</u>
Net Amount Due			260

Billing Example

Consumed from Grid = 1,000 kWh

Exported to Grid = 800 kWh

Collected from Customer = (1,000 kWh x Retail Rate) – (800 kWh x Generation Rate)

DISTRIBUTED ENERGY RESOURCES (DER)

- While DER is subsidized in base rates in relation to a comparable customer without DER, this subsidy is intertwined with other subsidies and is relatively minor.**
- Recommend net billing to allow the County better control over the level of subsidy in compensation arrangement.**
- Ensure compensation arrangement matches overall County goals and consider time-variable credits in the future to incentivize non-solar DER.**

POWER COST PASS-THROUGH

- ❑ Recommend adoption of pass-through mechanism for power costs.
- ❑ Unlike distribution costs, the County has limited control over generation and purchased power costs.
- ❑ Inclusion of power costs in base rates makes anticipation of future base rates difficult and reduces flexibility.
- ❑ We recommend a mechanism that can be exercised at the discretion of the BPU/County Council rather than one that automatically captures the cost of power.