



Public Meeting July 23, 2019

2019 Rate Study

Rate Study Team

- John Duhamel, CEO
- Jaime Matthews, CFO
- Travis Million, COO
- Jason Strong, CFC Rate Consultant
- Kemppele, Huffman & Ellis – CVEA Counsel

Agenda

- Tariff requirements
- Goals/objectives of a rate study
- Proposed changes
- Impact of proposed changes to members
- Questions/comments

Tariff Requirement – Section 1.4

- Decisions on tariff changes shall be based on the following standards:
 - Record developed through member comments or public hearings
 - Fair and nondiscriminatory treatment of all Cooperative members and customer classes
 - Rates shall be set to ensure the financial viability of the Cooperative
 - Statement by general counsel on compliance

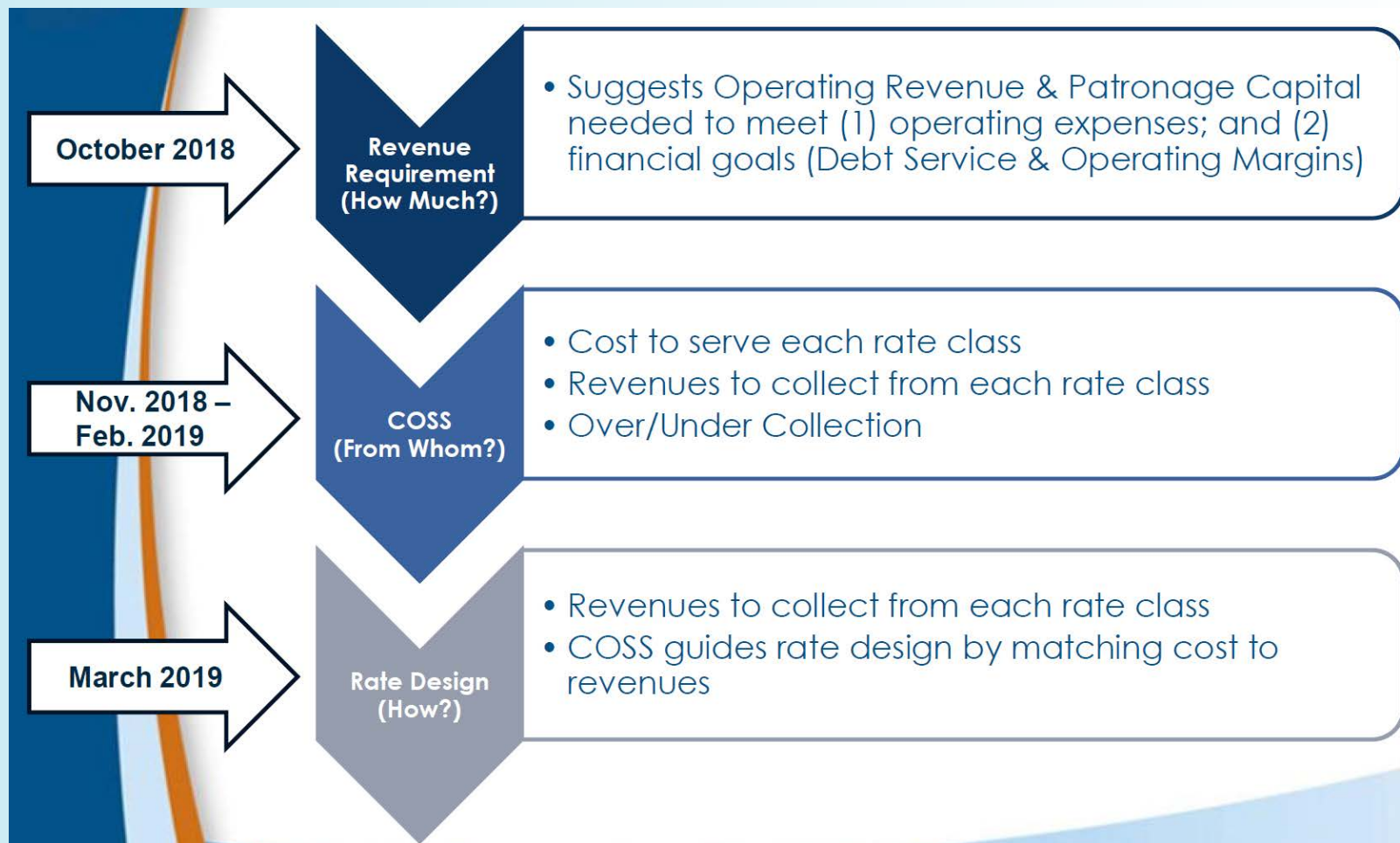
Public Hearings

- The purpose is to present results, receive member comments and answer questions pertaining to the proposed changes
- The CVEA Board of Directors will consider comments when a vote is made
- The CVEA Board of Directors will issue its decision within thirty (30) days of the close of the public hearings or any continuance of public hearings
 - August 15, 2019 Board Meeting

What Is a Rate Study?

- A multi-step process used to determine what rates should be charged for energy sales and services
- Rates must produce sufficient funds to recover 100 percent of the costs to provide electric service, meet lender requirements, and achieve financial targets
- Conduct an analytical process to determine costs by customer classes
 - Define revenue requirements
 - Determine customer usage characteristics
 - Allocate costs (cost of service analysis) to customer classes
 - Design rates

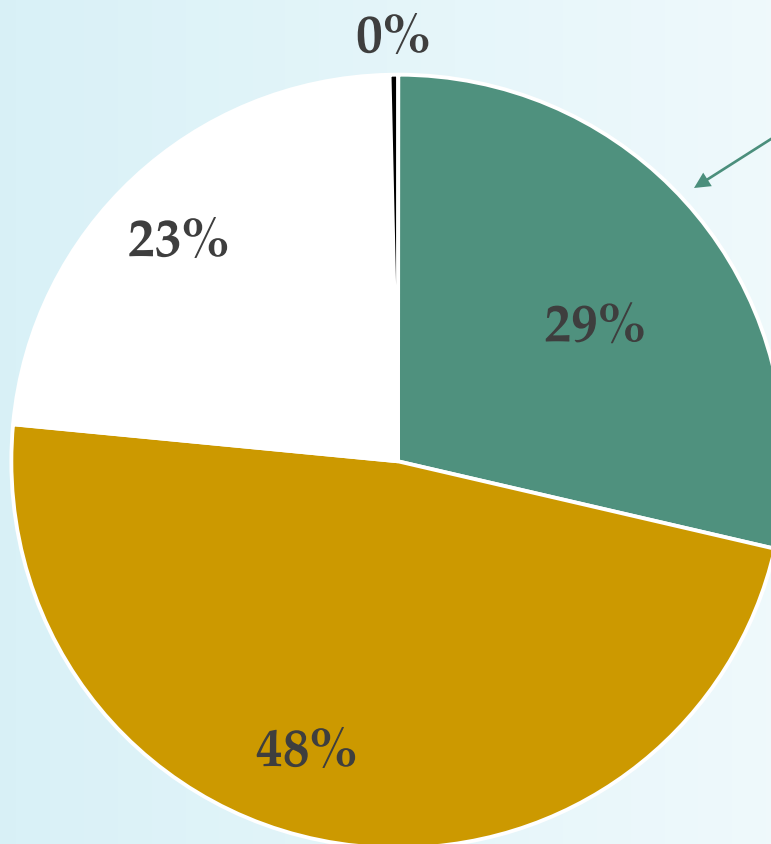
Rate Study Steps



Goals of the Rate Study

1. Meet long term financial and operational needs (cash)
2. Understand rate class equitability (moving customer charges closer to cost of service)
3. Simple, easy to explain to membership

2018 Revenue



This is the portion of revenue relating to the rate study

■ Base ■ G&T ■ Fuel/Heat ■ Other

Recap of Rate Study Project

- Rate study history (base rates)
 - 1997
 - 2011
- CVEA has changed
 - Growth/loss within customer classes
 - New projects
 - Savings

Results of Cost of Service Study

- Identified a \$765,000 revenue shortfall
- Proposal to recover \$765,000
 - Increase customer charge (\$359,000)
 - Reduction in heat credits (\$283,000)
 - Budget reductions for 2020 (\$123,000)

Customer Charge

- CVEA's customer charge has not been updated since the 90s
- CVEA is the only Alaskan utility that has not updated customer charges
 - Residential - \$12.00 to \$20.00 (proposal)
 - Small Commercial - \$20.00 to \$30.00 (proposal)

Customer Charges			
Utility	Residential	Small Comm.	Notes
Kodiak Electric	\$ 12.50	\$ 50.00	Commercial Varies
Cordova Electric	\$ 28.00	\$ 60.00	Residential is \$15 in winter
AP&T (Tok)	\$ 20.00	\$ 20.00	
MEA	\$ 13.00	\$ 30.00	(Was \$5.65 forever)
GVEA	\$ 26.00	\$ 50.00	
CEA	\$ 13.62	\$ 17.00	
HEA	\$ 20.00	\$ 20.00	
Averages	\$ 19.02	\$ 35.29	

Customer Charges

- 2011 rate study indicated customer charges are extremely low (\$30s for residential)
 - Even higher for this rate study
 - Inactive accounts
 - 210 Copper Basin
 - 68 Valdez
 - Fixed costs being recovered regardless of the usage

Customer Charge



The Customer Charge covers a portion of the cost to produce the monthly bill.

Residential	\$12
Small Commercial	\$20
Large Commercial	\$100

Heat Revenue Credit

- Currently give 90 percent of heat credit back on the power bill when the Cogen is running **(October-April)**
 - This 90 percent was a number in 2012 that kept rates level when changes were last made
- Proposal to reduce credit to 80 percent
 - Impact will vary depending on usage
 - Average credit will go from 3.12¢ per kWh to 2.77¢ per kWh (.35¢ reduction)
 - \$18 average total residential winter impact
 - \$67 average total small commercial winter impact

Budget Reductions

- Each November staff presents a detailed budget to the CVEA Board of Directors
 - \$123,000 in budget reductions
 - Items will be identified during the budget process

What is Changing?

- Customer charge - Residential
- Heat credit reduced from 90 percent to 80 percent
 - **SAMPLE RESIDENTIAL**
 - \$80/barrel

Average Residential			
Description of Charge	Before	After	\$ Increase
Customer Charge	\$ 12.00	\$ 20.00	
kWh Charge	\$ 0.0629	\$ 0.0629	
G&T Charge	\$ 0.1188	\$ 0.1188	
Fuel Average	\$ 0.0951	\$ 0.0951	
Heat Credit Average	\$ (0.0312)	\$ (0.0277)	
Total per kwh	\$ 0.2456	\$ 0.2491	\$ 0.0035
Sample 440 kWh bill annually	\$ 1,441	\$ 1,555	\$ 114

- \$1,555 / year = \$4.26/day

What is Changing?

- Customer charge Small Commercial
- Heat credit reduced from 90 percent to 80 percent
 - **SAMPLE SMALL COMMERCIAL**
 - \$80/barrel

Average Small Commercial			
Description of Charge	Before	After	% Increase
Customer Charge	\$ 20.00	\$ 30.00	
kWh Charge	\$ 0.0629	\$ 0.0629	
G&T Charge	\$ 0.1188	\$ 0.1188	
Fuel Average	\$ 0.0951	\$ 0.0951	
Heat Credit Average	\$ (0.0312)	\$ (0.0277)	
Total per kwh	\$ 0.2456	\$ 0.2491	\$ 0.0035
Sample 440 kWh bill annually	\$ 5,090	\$ 5,252	\$ 163

- \$5,252 / year = \$14.39/day

Individual Usage

- What does this all mean to your account?
 - Each member is different due to your usage
 - Contact Jaime Matthews at Matthews@cvea.org and your individual analysis can be ran

Important Dates

- Accept member comments through Thursday, August 1, at 5 p.m.
 - This has been extended from the original July 25 date
- Board will vote on August 15, 2019
- If adopted by the CVEA Board of Directors, changes will be effective with the September 20, 2019 billing

Questions/Comments?



Jaime Matthews, CFO
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