
To: Traverse City Light and Power Board
From: Karla Myers Beman - Controller
Meeting: Regular Board - Virtual - Apr 13 2021
Subject: Public hearing - rate adjustment

At the April 10, 2018 board meeting staff along with Utility Financial Solutions presented the results of the cost of service study performed for the purpose to ensure the following:

1. There is sufficient revenue to provide capital to maintain a reliable system.
2. To correct subsidies between rate classes.
3. Simplify the rate structure for ease of billing.
4. Modify the rates within each tariff to reflect the cost of service.
5. To create a five-year rate schedule to use as a guide/plan.

Sufficient Revenue

The cost of service study initially recommended an overall 2.0% rate adjustment for the fiscal year 2020-21 and the prior year budget included a 2.5% rate adjustment to ensure there was sufficient revenue for operations and capital. The rate adjustment was deferred until now, because of the onset of the COVID-19 Pandemic in March 2020.

Correct Subsidies between Rate Classes

Staff slightly modified the five year rate plan from the 2.0% initially planned to achieve the 2.5% rate adjustment proposed with the 2020-21 and 2021-22 budget. The rate adjustments varies by rate class and range from 1.25% to 3.00%, except for two rate classes that are being consolidated into the Commercial General Secondary Service. These are the Commercial Industrial Water Heating Service (2 customers - average monthly adjustment \$5.88 or 7.58%) and Commercial Electric Heat and Air Conditioning (33 customers - average monthly adjustment \$19.89 or 4.58%). The rate classes that are subsidizing other rate classes received the lowest rate adjustments and those rate classes being subsidized received the highest rate adjustment.

Simplify the rate structure

Staff plans on continuing in simplifying the rate structure with this rate adjustment. The classes that will be consolidated into other rate classes are as follows:

- Senior Space Heating to Senior Residential
- Commercial Industrial Water Heating Service to Commercial/General Secondary Service
- Commercial Electric Heat and Air Conditioning to Commercial/General Secondary Service

Cost of Service Structure

Additionally, within this revenue adjustment is to make gradual adjustments in the rates within each tariff to reflect the cost of service and primarily focus on increasing the fixed components of the rate structures, which include the monthly rate and demand charges.

Documents provided

Included within your board packet for review is a summary spreadsheet including the demographics of the rate classes (based on the cost of service study), rate class changes, overall impact on revenues, average monthly impact and overall rate adjustment. This is followed by a spreadsheet summarizing the cost of service compared to initial revenues from the cost of service study and the proposed revenues as well as individual cost of service study sheets for the rate classes going forward. Year 3 of the cost of service study sheets reflects the proposed adjustment.

Also included are three charts providing a ten year historical view of the residential, commercial and commercial demand classes. In other words, what a customer would pay in January of each year for their utility bill based on a set amount of consumption compared to what a customer would pay each year based on their 2011 bill adjustment by inflation. (Historical rate changes for these classes over this period occurred 7/1/2014 and 11/1/2018.)

Staff is bringing this before you in April due to a scheduled staff absence at the May board meeting. If approved, the public hearing notice will be published approximately 14 to 21 days before the June board meeting.

Conclusion

It is staff's recommendation that the Board set a public hearing for the proposed rate adjustments at its June 8, 2021 meeting. If after Board discussion you agree with staff's recommendation the following motion would be appropriate.

**MOVED BY _____, SECONDED BY _____,
THAT THE BOARD TENTATIVELY APPROVES THE RATE ADJUSTMENT AND AUTHORIZES THE
SECRETARY TO SET A PUBLIC HEARING FOR THE PROPOSED JULY 1, 2021 RATE ADJUSTMENT TO
BE HELD AT THE JUNE 8, 2021 REGULAR MEETING; AND FURTHER THAT A NOTICE OF THE PUBLIC
HEARING BE POSTED ON THE UTILITY'S WEBSITE AND PLACED IN THE TRAVERSE CITY RECORD
EAGLE.**

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Traverse City Light and Power						
2021 Rate Adjustment						
Customer Class	Current Revenues	Proposed Revenues	Dollar Difference	Average Monthly Impact	Percentage Change	Notes
Residential						
Residential	\$ 5,325,332.83	\$ 5,487,160.98	\$ 161,828.15	\$ 1.76	3.04%	
First Tier - 16 kWh per day						
Second Tier - all over 16kWh per day						
Power Cost Recovery						
Senior Residential	\$ 741,187.83	\$ 763,353.17	\$ 22,165.34	\$ 1.34	2.99%	
First Tier - 16 kWh per day						
Second Tier - next 17.3kWh per day						
Power Cost Recovery						
Senior Space Heating	\$ 18,193.82	\$ 18,284.45	\$ 90.64	\$ 0.50	0.50%	Will be eliminated and combined with the Senior Rate
First Tier - 16 kWh per day						
Second Tier - all over 16kWh per day						
Power Cost Recovery						
Commercial						
Commercial/General Secondary Service	\$ 3,957,913.44	\$ 4,007,154.45	\$ 49,241.01	\$ 1.88	1.24%	
Commercial Demand/ General Secondary Service	\$ 10,255,066.21	\$ 10,559,682.68	\$ 304,616.47	\$ 31.26	2.97%	
Commercial Demand Primary Metered	\$ 178,787.25	\$ 180,986.80	\$ 2,199.54	\$ 91.65	1.23%	
Commercial Industrial Water Heating Service	\$ 1,860.75	\$ 2,001.77	\$ 141.02	\$ 5.88	7.58%	Will be eliminated and combined with the Commercial Rate
Commercial Electric Heat and Air Conditioning	\$ 171,930.39	\$ 179,808.27	\$ 7,877.88	\$ 19.89	4.58%	Will be eliminated and combined with the Commercial Rate
Public Authority						
Public Authority MP1	\$ 59,152.34	\$ 60,039.37	\$ 887.03	\$ 6.72	1.50%	
Public Authority MP2	\$ 232,375.16	\$ 239,440.88	\$ 7,065.72	\$ 196.27	3.04%	
Industrial						
Primary Service High Load Factor Rates (Industrial)	\$ 7,993,473.30	\$ 8,145,610.22	\$ 152,136.92	\$ 325.08	1.90%	
Winter Rate						
On-Peak						
Off-Peak						
Summer Rate						
On-Peak						
Off-Peak						
Power Cost Recovery						
Metal Melting	\$ 1,772,268.14	\$ 1,816,727.12	\$ 44,458.98	\$ 3,704.91	2.51%	
Winter Rate						
On-Peak						
Off-Peak						
Summer Rate						
On-Peak						
Off-Peak						
Power Cost Recovery						
	\$ 30,707,541.45	\$ 31,460,250.15	752,708.70		2.5%	

Traverse City Light and Power
Cost of Service Summary
April 2021

Customer Class	Cost of Service	Initial Revenues	Subsidy Amounts	% Difference	Proposed Revenues	New Subsidy Amounts	% Diff	Rate Adjustment
Residential	\$ 5,813,104	\$ 5,272,795	\$ 540,309	9.29%	\$ 5,487,161	\$ 325,943	5.61%	3.04%
Senior Citizen	879,781	674,558	\$ 205,223	23.33%	763,353	116,428	13.23%	2.99%
Senior Space Heat	19,007	16,918	\$ 2,089	10.99%	18,284	723	3.80%	0.50%
Residential Life Support	22,573	17,831	\$ 4,742	21.01%	18,530	4,043	17.91%	3.04%
Residential Senior Life Support	12,817	7,980	\$ 4,837	37.74%	9,376	3,441	26.85%	2.99%
Commercial/General	3,605,601	4,094,095	\$ (488,494)	-13.55%	4,007,154	(401,553)	-11.14%	1.24%
Commercial Demand/General Secondary	10,857,881	10,197,762	\$ 660,119	6.08%	10,559,683	298,198	2.75%	2.97%
Commercial Demand Primary Metered	176,298	178,810	\$ (2,512)	-1.42%	180,987	(4,689)	-2.66%	1.23%
Commercial and Industrial Water Heating Service	1,896	1,602	\$ 294	15.51%	2,002	(106)	-5.58%	7.58%
Commercial Electric Heat and Air Conditioning	164,347	162,049	\$ 2,298	1.40%	179,808	(15,461)	-9.41%	4.58%
Municipal Pumping Service (MP-1)	60,613	59,148	\$ 1,465	2.42%	60,039	574	0.95%	1.50%
Municipal Pumping Service (MP-2)	308,804	230,000	\$ 78,804	25.52%	239,441	69,363	22.46%	3.04%
Primary Service High Load Factor	8,210,864	7,896,520	\$ 314,344	3.83%	8,145,610	65,254	0.79%	1.90%
Metal Melting	1,899,299	1,762,762	\$ 136,537	7.19%	1,816,727	82,572	4.35%	2.51%
Total	32,032,885	30,572,830	1,460,055	4.56%	31,488,156	544,729	1.73%	2.5%

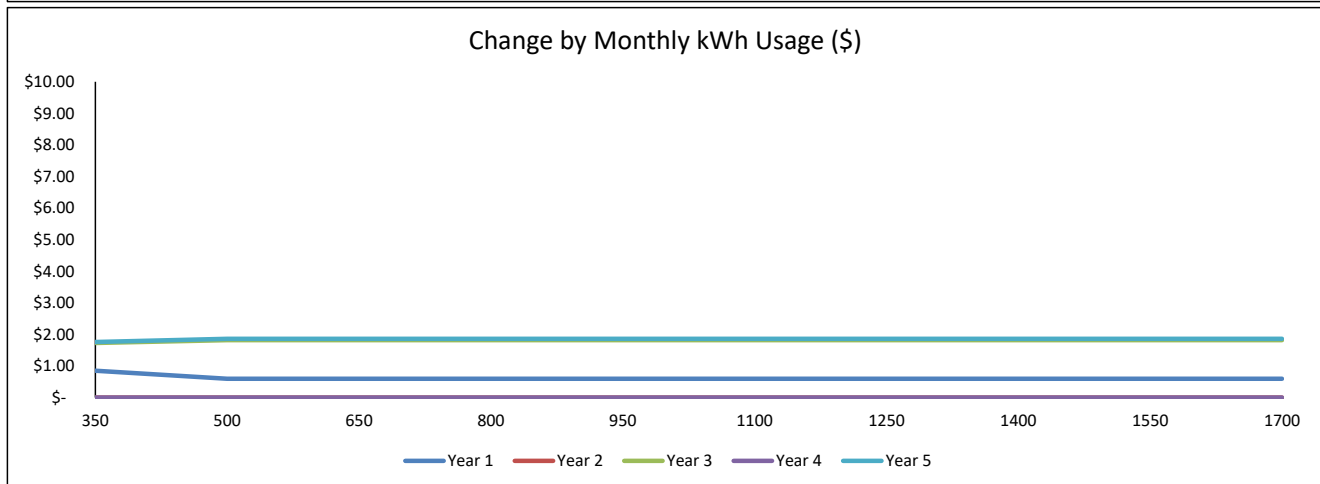
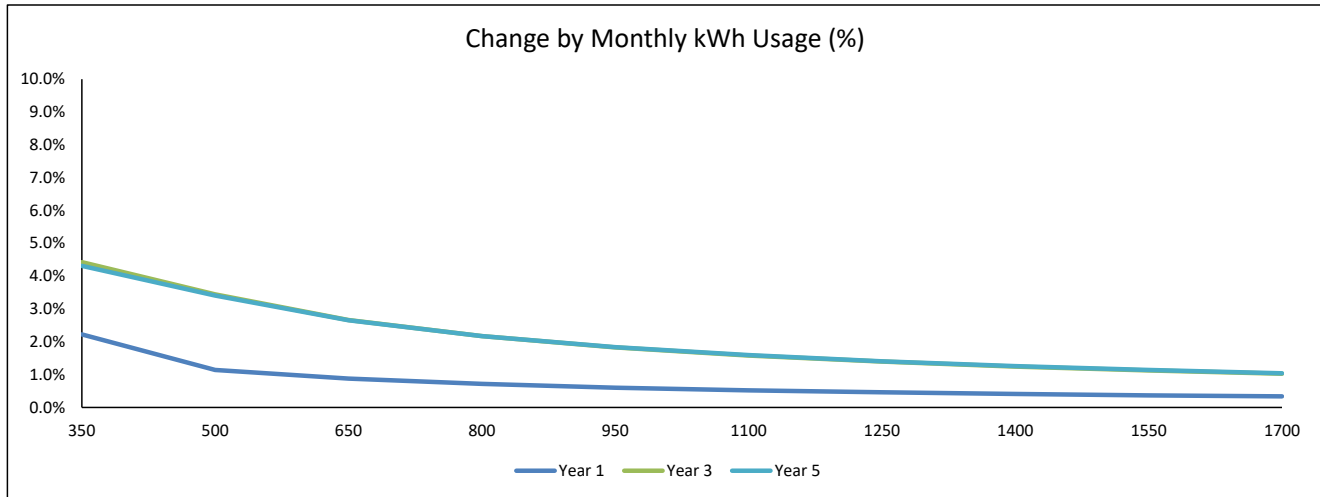
Note - An amount negative in a rate class under subsidy amounts means they are subsidizing other rate classes.

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Electric Rate Design

Projected Residential Rates

Rates	Current	Year 1	Year 2	Year 3	Year 4	Year 5
Monthly Facilities Charge:						
All Customers	\$ 6.00	\$ 7.50	\$ 7.50	\$ 9.00	\$ 9.00	\$ 10.50
Energy Charge:						
Block 1 (0 - 16 kWh per day)	\$ 0.0940	\$ 0.0921	\$ 0.0921	\$ 0.0928	\$ 0.0928	\$ 0.0935
Block 2 (Excess)	\$ 0.1055	\$ 0.1055	\$ 0.1055	\$ 0.1055	\$ 0.1055	\$ 0.1055
Power Cost Adjustment:						
All Energy	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)
Revenue from Rate	\$ 4,893,847	\$ 5,219,112	\$ 5,219,112	\$ 5,487,161	\$ 5,487,161	\$ 5,650,428
Change from Previous		1.0%	0.0%	3.0%	0.0%	3.0%

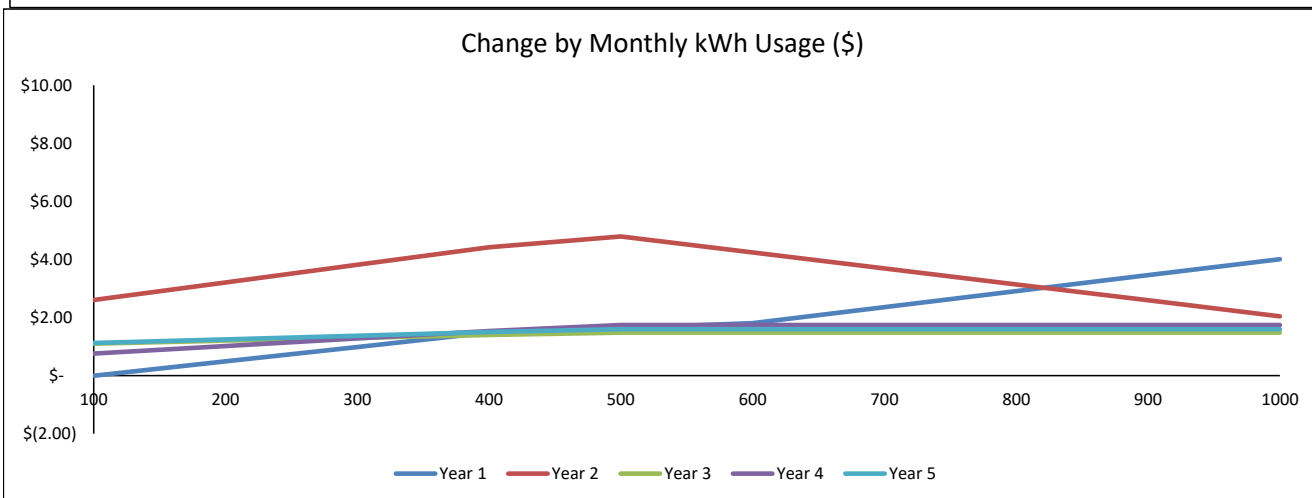
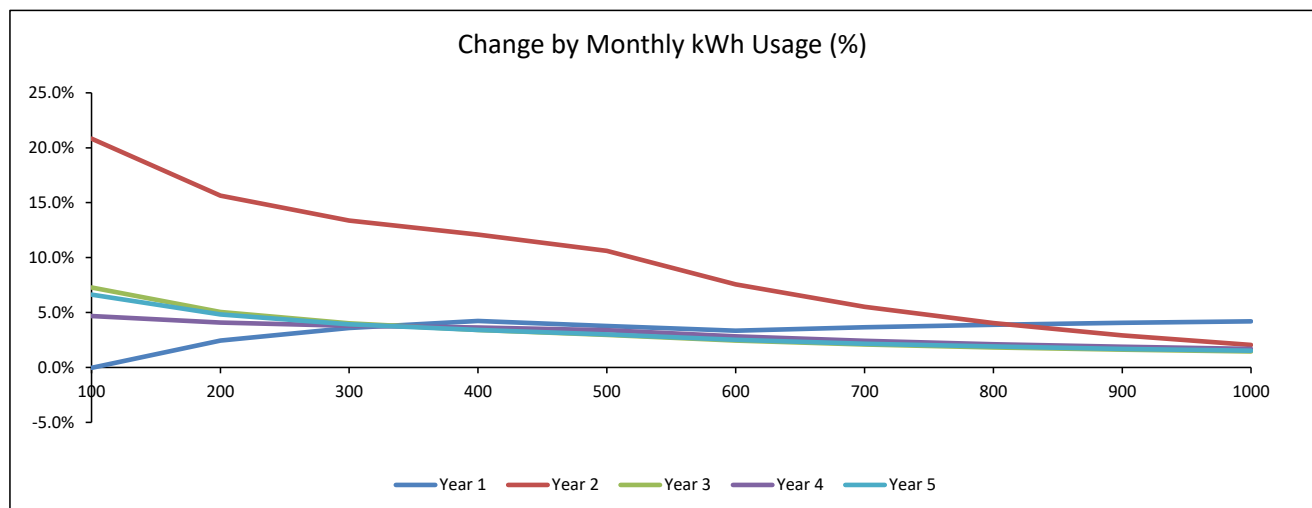


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Electric Rate Design

Projected Senior Citizen Rates

Rates	Current	Year 1	Year 2	Year 3	Year 4	Year 5
Monthly Facilities Charge:						
All Customers	\$ 5.00	\$ 7.50	\$ 7.50	\$ 8.50	\$ 9.00	\$ 10.00
Senior Discount		\$ 3.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Energy Charge:						
Block 1 (0 - 480 kWh)	\$ 0.07700	\$ 0.0820	\$ 0.0880	\$ 0.0890	\$ 0.0916	\$ 0.0928
Block 2 (481 - 522 kWh)	\$ 0.12290	\$ 0.1110	\$ 0.1055	\$ 0.1055	\$ 0.1055	\$ 0.1055
Block 3 (Excess)	\$ 0.10550	\$ 0.1110	\$ 0.1055	\$ 0.1055	\$ 0.1055	\$ 0.1055
Power Cost Adjustment:						
All Energy	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)
Revenue from Rate	\$ 625,173	\$ 631,425	\$ 685,886	\$ 763,353	\$ 786,266	\$ 809,833
Change from Previous		1.0%	8.6%	3.0%	3.0%	3.0%

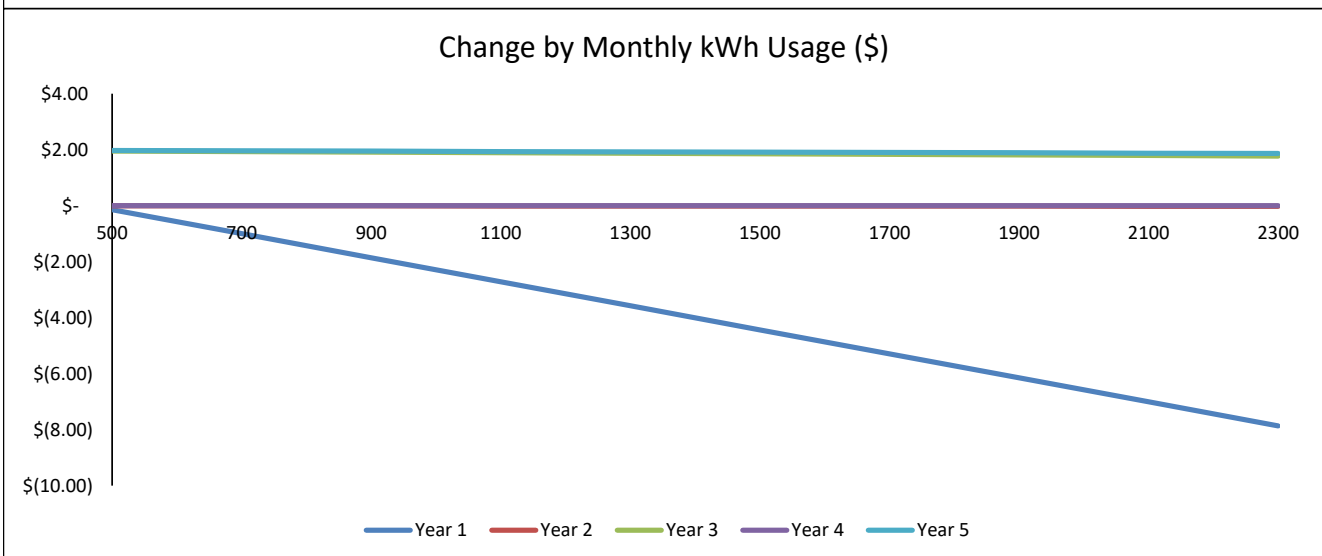
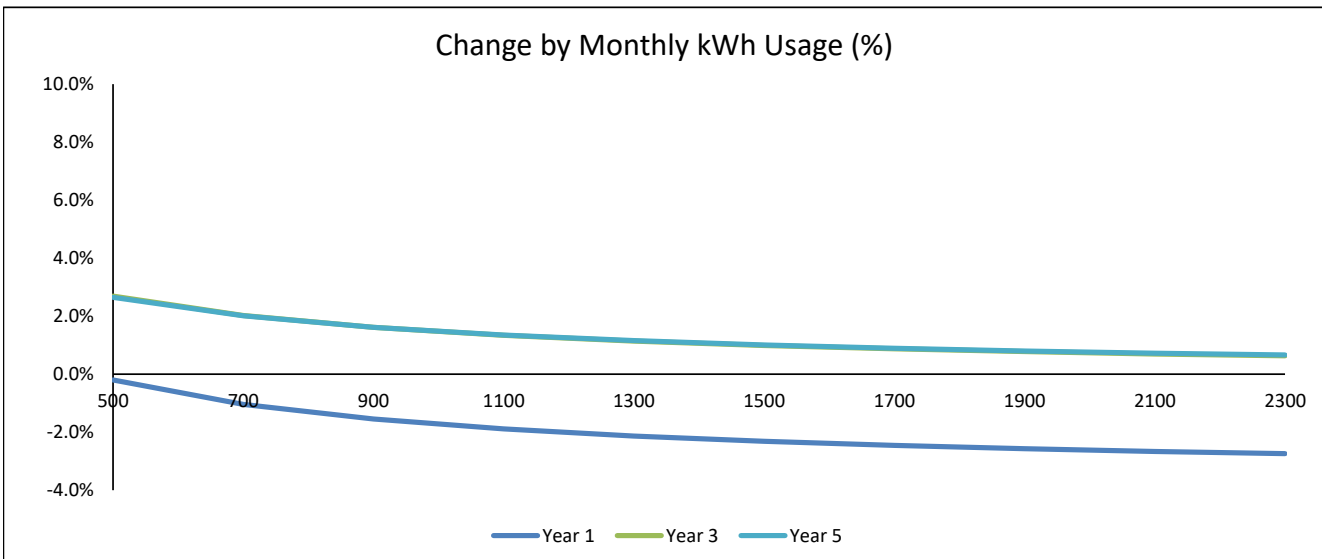


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Projected Commercial/General Rates

Rates	Current	Year 1	Year 2	Year 3	Year 4	Year 5
Monthly Facilities Charge:						
All Customers	\$ 13.00	\$ 15.00	\$ 15.00	\$ 17.00	\$ 17.00	\$ 19.00
Energy Charge:						
All Energy	\$ 0.1211	\$ 0.1168	\$ 0.1168	\$ 0.1167	\$ 0.1167	\$ 0.1166
Power Cost Adjustment:						
All Energy	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)
Revenue from Rate	\$ 4,038,998	\$ 3,958,236	\$ 3,957,913	\$ 4,007,154	\$ 4,188,964	\$ 4,240,235
Change from Previous		-2.0%	0.0%	1.2%	0.0%	1.2%

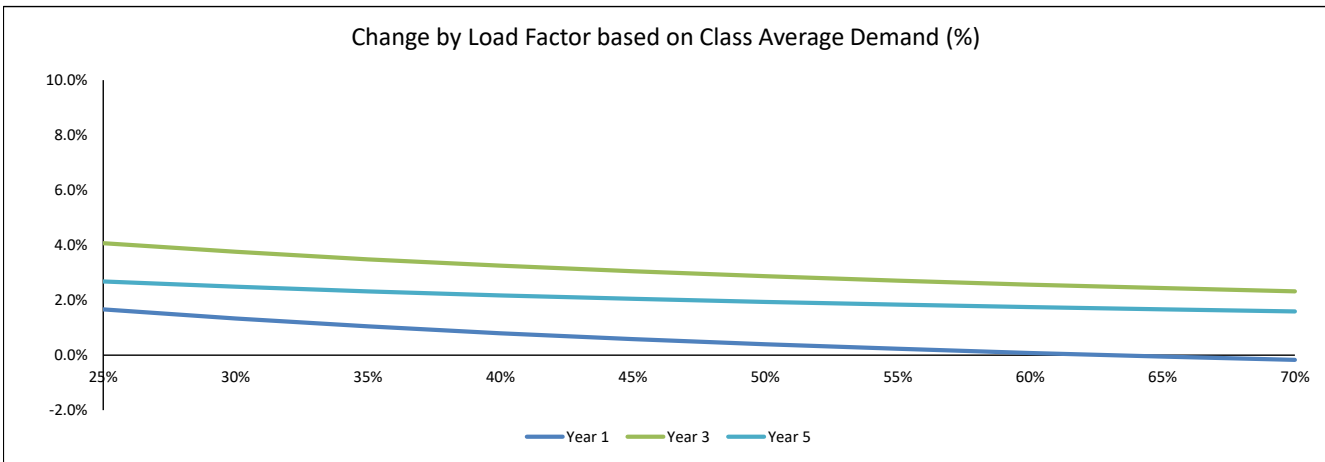


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Projected Commercial Demand/General Secondary Rates

Rates	Current	Year 1	Year 2	Year 3	Year 4	Year 5
Monthly Facilities Charge:						
Monthly Charge	\$ 15.00	\$ 20.00	\$ 20.00	\$ 25.00	\$ 25.00	\$ 30.00
Energy Charge:						
All Energy	\$ 0.0590	\$ 0.0576	\$ 0.0576	\$ 0.0576	\$ 0.0576	\$ 0.0576
Demand Charge						
All Demand	\$ 12.95	\$ 13.45	\$ 13.45	\$ 14.28	\$ 14.28	\$ 14.79
Power Cost Adjustment:						
All Energy	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)
Revenue from Rate	\$ 10,200,823	\$ 10,251,812	\$ 10,255,066	\$ 10,559,366	\$ 10,559,682	\$ 10,770,554
Change from Previous		0.5%	0.0%	3.0%	0.0%	2.0%

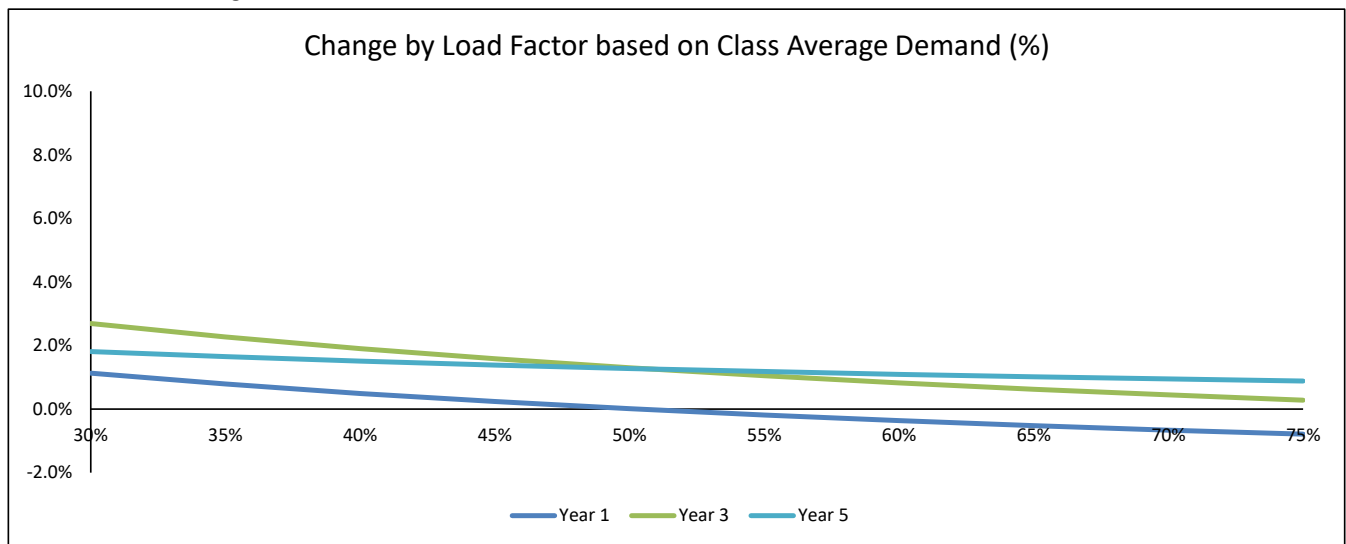


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Projected Commercial Demand Primary Metered Rates

Rates	Current	Year 1	Year 2	Year 3	Year 4	Year 5
Monthly Facilities Charge:						
Monthly Charge	\$ 16.00	\$ 20.00	\$ 20.00	\$ 25.00	\$ 25.00	\$ 30.00
Energy Charge:						
All Energy	\$ 0.0581	\$ 0.0562	\$ 0.0562	\$ 0.0545	\$ 0.0554	\$ 0.0551
Demand Charge						
All Demand	\$ 12.57	\$ 13.25	\$ 13.25	\$ 14.28	\$ 13.95	\$ 14.45
Power Cost Adjustment:						
All Energy	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)
Revenue from Rate	\$ 178,867	\$ 178,789	\$ 178,789	\$ 180,983	\$ 181,024	\$ 183,287
Change from Previous		0.0%	0.0%	1.2%	0.0%	1.3%

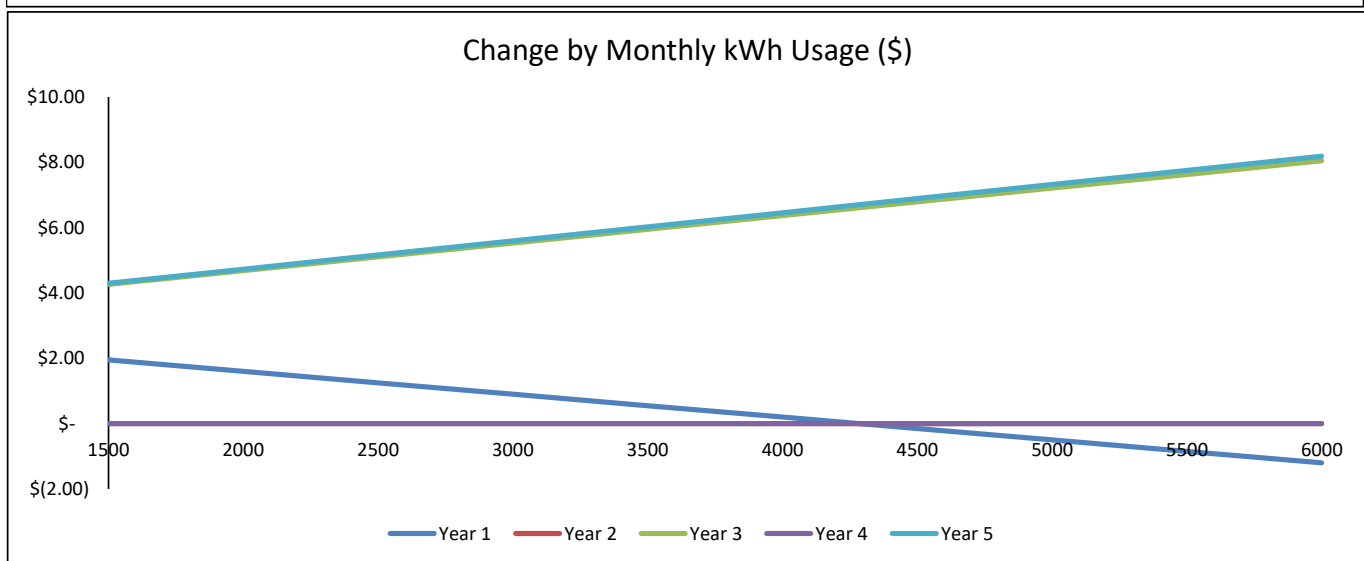
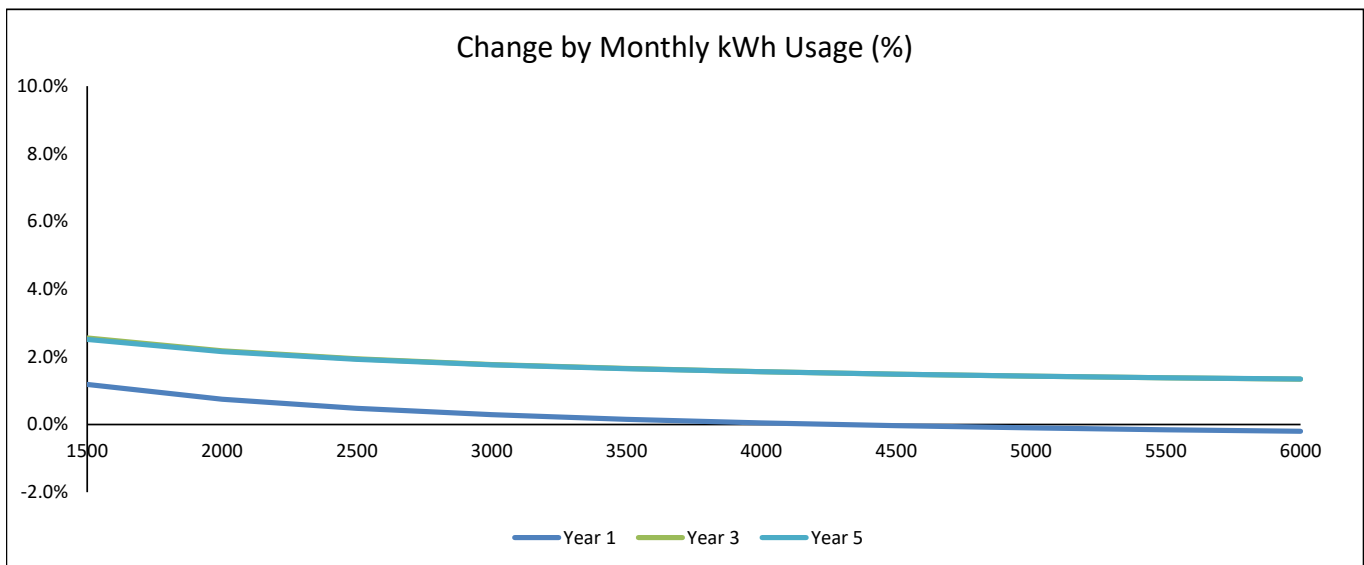


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Electric Rate Design

Projected Municipal Pumping Service (MP-1) Rates

Rates	Current	Year 1	Year 2	Year 3	Year 4	Year 5
Monthly Facilities Charge:						
All Customers	\$ 19.00	\$ 22.00	\$ 22.00	\$ 25.00	\$ 25.00	\$ 28.00
Energy Charge:						
All Energy	\$ 0.0990	\$ 0.0983	\$ 0.0983	\$ 0.0991	\$ 0.0991	\$ 0.1000
Power Cost Adjustment:						
All Energy	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)
Revenue from Rate	\$ 59,165	\$ 59,152	\$ 59,152	\$ 60,039	\$ 60,039	\$ 60,940
Change from Previous		0.0%	0.0%	1.5%	0.0%	1.5%

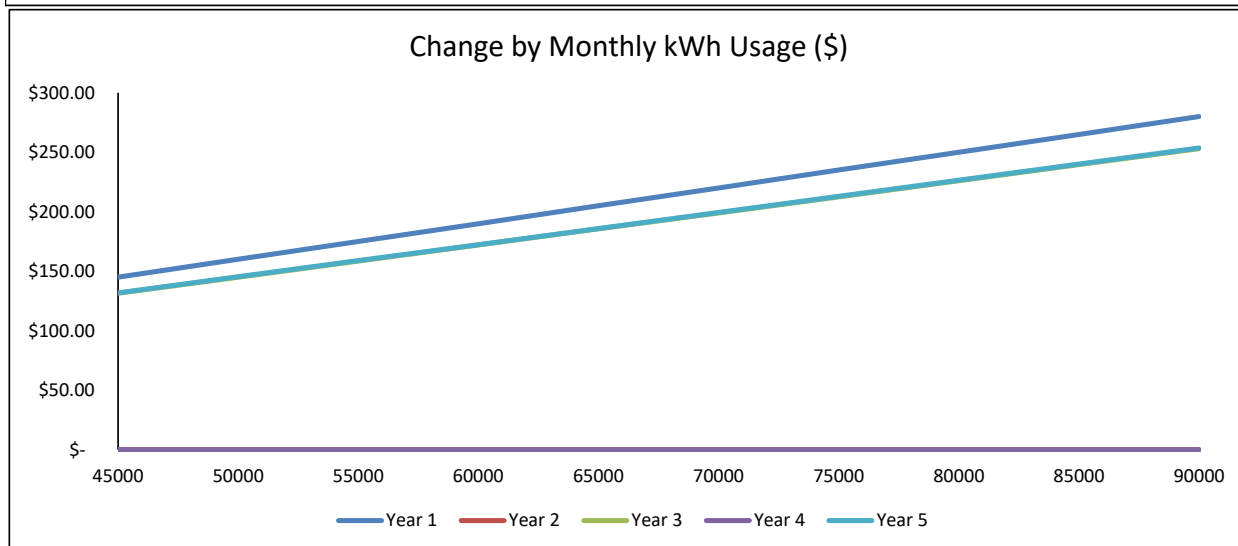
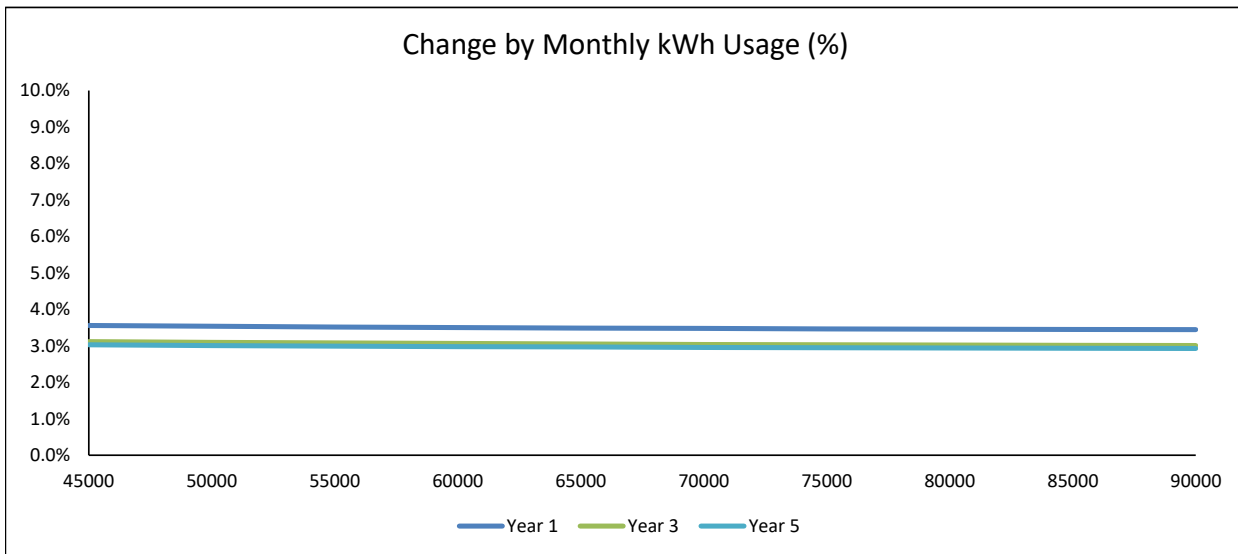


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Electric Rate Design

Projected Municipal Pumping Service (MP-2) Rates

Rates	Current	Year 1	Year 2	Year 3	Year 4	Year 5
Monthly Facilities Charge:						
All Customers	\$ 22.00	\$ 32.00	\$ 32.00	\$ 42.00	\$ 42.00	\$ 52.00
Energy Charge:						
All Energy	\$ 0.0920	\$ 0.0950	\$ 0.0950	\$ 0.0977	\$ 0.0977	\$ 0.1004
Power Cost Adjustment:						
All Energy	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)
Revenue from Rate	\$ 174,349	\$ 232,375	\$ 232,375	\$ 239,441	\$ 239,441	\$ 246,522
Change from Previous		3.5%	0.0%	3.0%	0.0%	3.0%

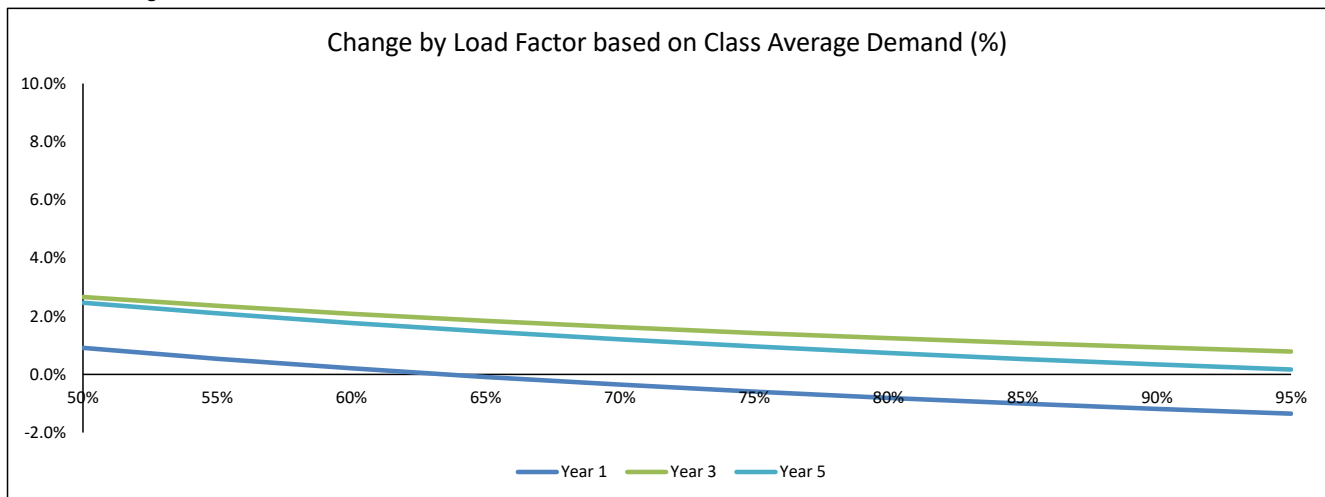


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Electric Rate Design

Projected Primary Service High Load Factor Rates

Rates	Current	Year 1	Year 2	Year 3	Year 4	Year 5
Monthly Facilities Charge:						
All Customers	\$ 50.00	\$ 100.00	\$ 100.00	\$ 150.00	\$ 150.00	\$ 200.00
Energy Charge:						
Winter On Peak	\$ 0.0660	\$ 0.0640	\$ 0.0640	\$ 0.0626	\$ 0.0626	\$ 0.0604
Winter Off Peak	\$ 0.0550	\$ 0.0520	\$ 0.0520	\$ 0.0506	\$ 0.0506	\$ 0.0484
Summer On Peak	\$ 0.0680	\$ 0.0640	\$ 0.0640	\$ 0.0626	\$ 0.0626	\$ 0.0604
Summer Off Peak	\$ 0.0550	\$ 0.0520	\$ 0.0520	\$ 0.0506	\$ 0.0506	\$ 0.0484
Demand Charge:						
All Demand	\$ 11.00	\$ 12.25	\$ 12.25	\$ 13.50	\$ 13.50	\$ 15.00
Power Cost Adjustment:						
All Energy	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)
Revenue from Rate	\$ 7,524,081	\$ 7,524,081	\$ 7,993,479	\$ 8,145,617	\$ 8,145,617	\$ 8,271,505
Change from Previous		0.0%	0.4%	1.9%	0.0%	1.5%



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Electric Rate Design
Metal Melting

Rates	Current	Year 1	Year 2	Year 3	Year 4	Year 5
Monthly Facilities Charge:						
All Customers	\$ 40.00	\$ 55.00	\$ 55.00	\$ 70.00	\$ 70.00	\$ 85.00
Energy Charge:						
Winter On Peak	\$ 0.06400	\$ 0.06360	\$ 0.06360	\$ 0.06320	\$ 0.06320	\$ 0.06280
Winter Off Peak	\$ 0.05000	\$ 0.04760	\$ 0.04760	\$ 0.04720	\$ 0.04720	\$ 0.04680
Summer On Peak	\$ 0.06700	\$ 0.06360	\$ 0.06360	\$ 0.06320	\$ 0.06320	\$ 0.06280
Summer Off Peak	\$ 0.05000	\$ 0.04760	\$ 0.04760	\$ 0.04720	\$ 0.04720	\$ 0.04680
Demand Charge:						
All Demand	\$ 8.48	\$ 10.00	\$ 10.00	\$ 11.20	\$ 11.20	\$ 12.22
Power Cost Adjustment:						
All Energy	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)	\$ (0.0019)
Revenue from Rate	\$ 1,763,527	\$ 1,772,268	\$ 1,772,268	\$ 1,816,727	\$ 1,816,727	\$ 1,852,906
Change from Previous		0.5%	0.0%	2.5%	0.0%	2.0%

