

To: TCLP Board
From: Karla Myers Beman - Controller
Meeting: Regular Board - May 10 2022
Subject: Public hearing for the proposed August 1, 2022 rate increase

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 increase for the fiscal year 2022-23 fiscal year and the budget included a 2.5% rate increase to ensure there was sufficient revenue for operations and capital.

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 increase proposed with the 2022-23 budget. The rate increases vary by rate class and range from 1.22% to 3.03%. The rate classes that are subsidizing other rate classes received the lowest rate increases and those rate classes being subsidized received the highest rate increase.

Simplify the rate structure

At this time all the expected classes that were planned to be folded into another rate class has been completed.

Cost of Service Structure

Additionally, within this revenue increase is to make gradual increases 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 rate class changes, overall impact on revenues, average monthly impact, and overall rate increase. 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.

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 December 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 2012 bill increased by inflation.

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 increases at its June 28, 2022 meeting. If after Board discussion you agree with staff's recommendation the following motion would be appropriate.

MOVED BY _____, SECONDED BY _____, THAT THE BOARD APPROVES THE RATE ADJUSTMENT AND AUTHORIZES THE SECRETARY TO SET A PUBLIC HEARING FOR THE AUGUST 1, 2022 RATE INCREASES TO BE HELD AT THE JUNE 28, 2022 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.

TCL&P Rate Presentation

May 10, 2022



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Objectives

- **Five-year rate plan**
 - Revenue neutral rate increase/decrease to the utility effective 11/1/2018
 - 2% rate increase in fiscal years 2020-21 (occurred in 2021-22 due to Covid) and 2022-23
 - Remaining fiscal years small increases for the purpose of consolidation of rates

- **Overall rate strategy**
 - Simplification of the rate structure
 - Subsidy correction between rate classes
 - Move rates towards cost of service
 - All of these take into consideration small changes to prevent “rate shock” to customers



Residential Class Rate Changes

Customer Class	Current Monthly Rate	Proposed Monthly Rate	Difference	Current kWh	Proposed kWh	Difference
Residential	9.00	10.50	1.50			
First Tier - 16 kWh per day				0.0928	0.0935	0.0007
Second Tier - all over 16kWh per day				0.1055	0.1055	-
Senior Residential	7.50	8.00	0.50			
First Tier - 16 kWh per day				0.0890	0.0916	0.0026
Second Tier - next 17.3kWh per day				0.1055	0.1055	-



Commercial Class Rate Changes

Customer Class	Current Monthly Rate	Proposed Monthly Rate	Difference	Current kWh	Proposed kWh	Difference	Current kW	Proposed kW	Difference
Commercial									
Commercial/General Secondary Service	17.00	19.25	2.25	0.1167	0.1167	-	n/a	n/a	n/a
Commercial Demand/General Secondary Service	25.00	30.00	5.00	0.0576	0.0576	-	14.28	15.15	0.87
Commercial Demand Primary Metered	25.00	30.00	5.00	0.0545	0.0551	0.0006	14.28	14.45	0.17



Public Authority Rate Changes

Customer Class	Current Monthly Rate	Proposed Monthly Rate	Difference	Current kWh	Proposed kWh	Difference
Public Authority						
Public Authority MP1	25.00	28.00	3.00	0.0991	0.1000	0.0009
Public Authority MP2	42.00	52.00	10.00	0.0977	0.1004	0.0027



Industrial Class Rate Changes

Customer Class	Current Monthly Rate	Proposed Monthly Rate	Difference	Current kWh	Proposed kWh	Difference	Current kW	Proposed kW	Difference
Industrial									
Primary Service High Load Factor Rates	150.00	200.00	50.00				13.50	14.05	0.55
Winter On-Peak				0.0626	0.0626	-			
Winter Off-Peak				0.0506	0.0506	-			
Summer On-Peak				0.0626	0.0626	-			
Summer Off-Peak				0.0506	0.0506	-			



Industrial Class Rate Changes (Continued)

Customer Class	Current Monthly Rate	Proposed Monthly Rate	Difference	Current kWh	Proposed kWh	Difference	Current kW	Proposed kW	Difference
Metal Melting	70.00	85.00	15.00				11.20	12.40	1.20
Winter Rate On-Peak				0.0632	0.0632	-			
Winter Rate Off-Peak				0.0472	0.0472	-			
Summer Rate On-Peak				0.0632	0.0632	-			
Summer Rate Off-Peak				0.0472	0.0472	-			



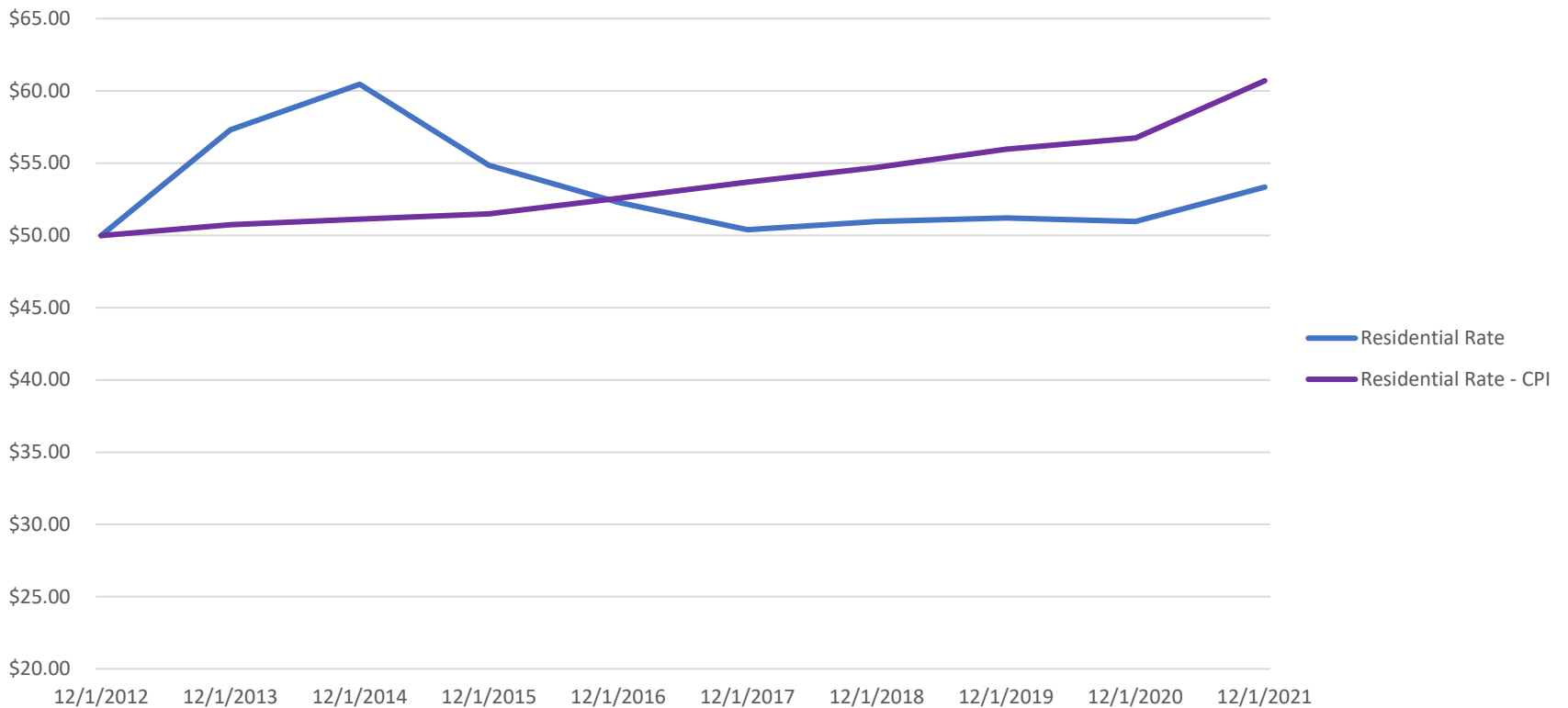
Overall Impact

Customer Class	Current Revenues	Proposed Revenues	Difference	Average Impact	Percentage Increase
Residential	5,487,160.98	5,648,989.12	161,828.15	1.76	2.95%
Senior Residential	781,295.54	804,537.09	23,241.55	1.39	2.97%
Commercial	4,188,964.49	4,248,796.49	59,832.00	2.25	1.43%
Commercial Demand	10,559,682.68	10,876,631.51	316,948.83	32.53	3.00%
Commercial Primary Metered	180,986.80	183,202.15	2,215.35	92.31	1.22%
Public Authority MP-1	60,039.37	60,936.27	896.90	6.79	1.49%
Public Authority MP-2	239,440.88	246,506.60	7,065.72	196.27	2.95%
Industrial	8,145,610.22	8,287,250.87	141,640.65	302.65	1.74%
Metal Melting	1,816,727.12	1,871,799.92	55,072.80	4,589.40	3.03%



Residential Class – Comparison to CPI

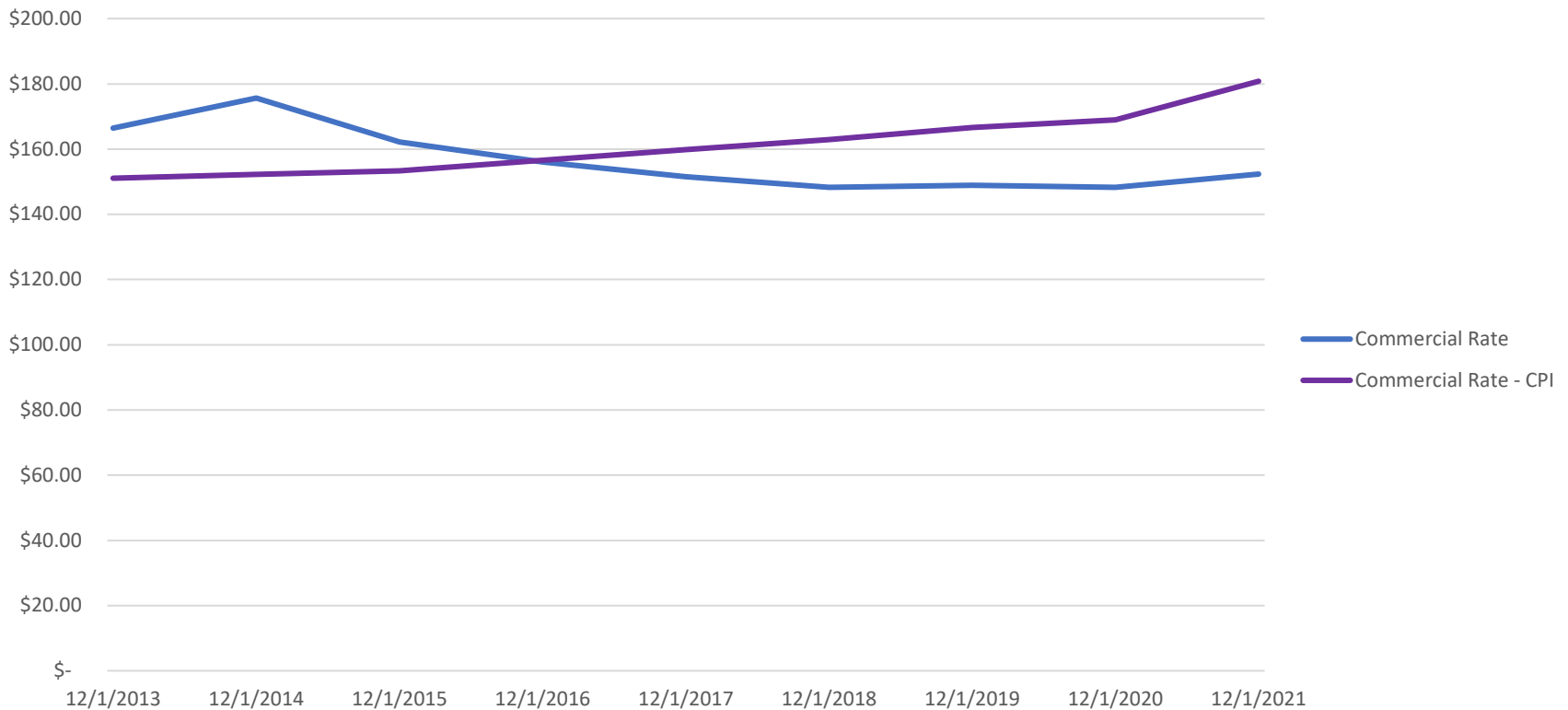
Residential Class Comparison to CPI -
Based on 500 kWh Consumption Level





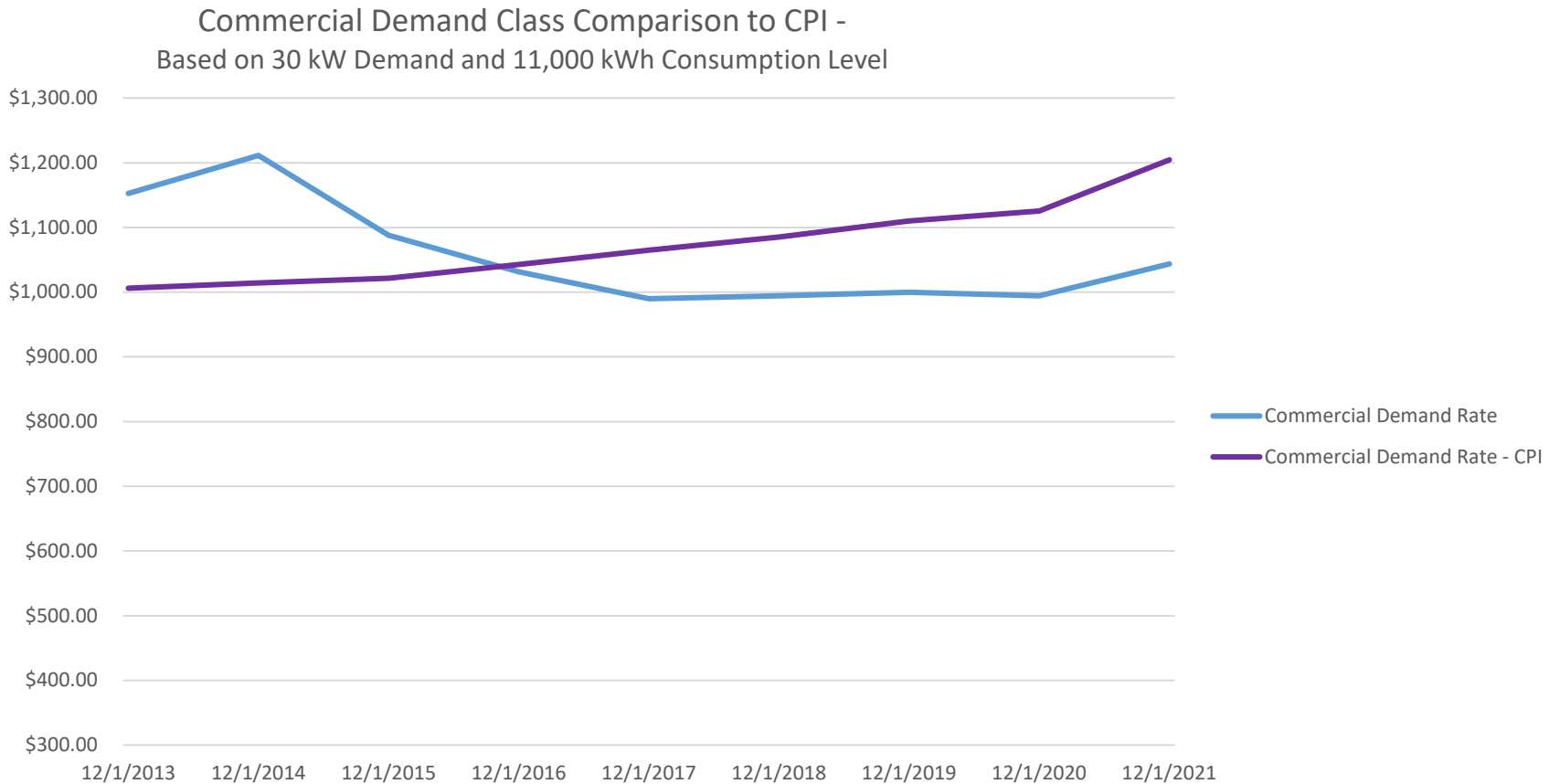
Commercial Class – Comparison to CPI

Commercial Class Comparison to CPI -
Based on 1,200 kWh Consumption Level





Commercial Demand Class – Comparison to CPI





Cost of Service compared to Revenues

Customer Class	Cost of Service	Proposed Revenues	Difference	% Diff	Rate Adjustment
Residential	5,813,104	5,648,989	164,115	2.82%	2.95%
Senior Citizen	898,788	804,537	94,251	10.49%	2.97%
Residential Life Support	22,573	18,530	4,043	17.91%	2.95%
Residential Senior Life Support	12,817	9,376	3,441	26.85%	2.97%
Commercial/General	3,771,844	4,248,796	(476,952)	-12.65%	1.43%
Commercial Demand/General Secondary	10,857,881	10,876,632	(18,751)	-0.17%	2.86%
Commercial Demand Primary Metered	176,298	183,202	(6,904)	-3.92%	1.22%
Municipal Pumping Service (MP-1)	60,613	60,936	(323)	-0.53%	1.49%
Municipal Pumping Service (MP-2)	308,804	246,507	62,297	20.17%	2.95%
Primary Service High Load Factor	8,210,864	8,287,251	(76,387)	-0.93%	1.74%
Metal Melting	1,899,299	1,871,800	27,499	1.45%	3.03%
Total	32,032,885	32,256,556	(223,671)	-0.69%	2.44%



What's is upcoming?

- Update the Voluntary Green Rate
- Create commercial time of use rate and reevaluate the residential time of use rate
- Perform cost of service study and develop a new five-year plan
- Update the streetlighting tariff rates