

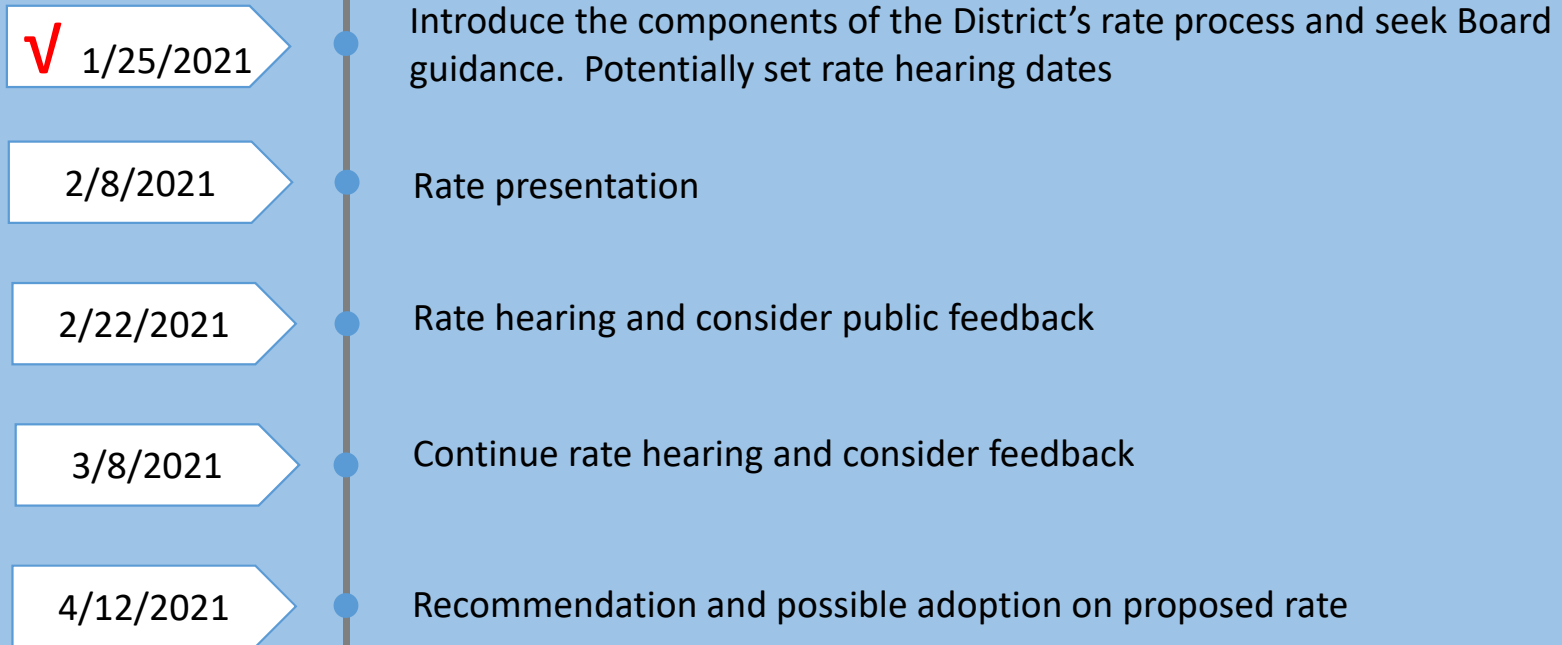


Proposed Power Delivery Rate

February 8, 2021



Proposed Timeline



Power Delivery Rate Components Review

1. Administrative Charge
2. Delivery Charge (energy and capacity components)
3. Integration Charge
4. Power Charge



Administrative Charge

- Monthly charge to recover expenses related to:
 - Counter party purchases
 - Contract administration
 - Fuel mix management
 - Imbalance charge and reconciliations
 - Billing and customer service
 - Record-keeping and management (i.e. ensuring financial guarantees are up-to-date, etc..)

- \$3,215.00 per month



Delivery Charge

- Total costs incurred by the District applicable to delivering power across our transmission and distribution assets
- Costs are allocated between fixed costs (capacity) and variable costs (energy)
 - Fixed costs are demand-related (kW) and based on the system peak of 239 MW.
 - Variable costs are customer-related (kWh) and based on energy consumption of 1,164,843,848 kWhs.



Delivery Charge - Basic Ratemaking Formula

- The general ratemaking formula: $\text{Expenses} + (\text{Rate Base} \times \text{Rate of Return}) = \text{Revenue Requirement}$
- **Expenses** – Recoverable expenses which are reasonable and prudent expenses of the District
- **Rate Base** – Value of the property (net of depreciation) on which the District can earn a rate of return
- **Rate of Return** – Cash needed to reinvest and maintain current infrastructure



Delivery Charge – Basic Formula

- The basic ratemaking formula: **Expenses**
 - **Expenses** – Recoverable expenses which are reasonable and prudent expenses of the District, plus an inflationary factor of 5.73% for years after 2021

Expenses – 2021 Budget Year Electric Distribution System	Total Budget	Applicable to Power Delivery
Power Supply	\$ 30,241,131	\$0
Transmission Operation & Maintenance	\$ 1,827,467	\$ 1,909,867
Distribution Operation & Maintenance	\$ 5,987,100	\$ 4,992,050
Customer Accounts & Energy Conservation	\$ 1,395,250	\$ 0
Administrative & General	\$ 4,594,698	\$ 916,340
Depreciation	\$ 9,155,000	\$ 6,070,118
Taxes	\$ 2,988,000	\$ 1,600,000
Total Operating Expenses	\$ 56,188,643	\$ 15,488,375



Delivery Charge – Formula cont.

- The basic ratemaking formula: **Expenses** + **Rate Base**
 - **Rate Base** – value of the property (net of depreciation) on which the District can earn a rate of return
 - **Rate Base** - The average plant in service (2020 & forecasted 2021) less average accumulated depreciation (2020 & forecasted 2021)
 - **Rate Base** – Used to calculate the depreciation expense



Delivery Charge – Formula cont.

- The basic ratemaking formula: **Expenses** + **Rate Base**
- **Rate base** is the total plant in service of the Distribution System less plant in service for water and DCCN

Plant Type	Rate Base	Depreciation Ex (budgeted 2021)	Applicable Depreciation Ex for Power Delivery
Intangible Plant	\$ 246,721	\$ 0	\$ 0
Transmission Plant	\$ 27,080,654	\$ 1,398,065	\$ 1,398,065
Distribution Plant	\$ 95,426,514	\$ 5,330,927	\$ 4,140,884
General Plant	\$ 18,550,838	\$ 2,391,108	\$ 531,169
Total Plant in Service	\$ 141,304,726	\$9,155,000	\$6,070,118



Delivery Charge – Formula cont.

- The basic ratemaking formula: $\text{Expenses} + (\text{Rate Base} \times \text{Rate of Return})$
- **Rate of Return** – Cash needed to reinvest and maintain current infrastructure
- **Rate of Return** – The estimated weighted cost of capital (debt and equity) for the District is 10.06%
- **Rate of Return** – FERC recently established a new range for returns between 7.42% - 12.62%, with midpoint at 10.02%



Delivery Charge – Formula cont.

- The basic ratemaking formula: $\text{Expenses} + (\text{Rate Base} \times \text{Rate of Return})$

Plant Type	Rate Base	9% ROR	11 % ROR	13% ROR
Intangible Plant	\$ 246,721	\$ 0	\$ 0	\$ 0
Transmission Plant	\$ 27,080,654	\$ 2,437,259	\$ 2,978,872	\$ 3,520,485
Distribution Plant	\$ 95,426,514	\$ 6,680,424	\$ 8,164,963	\$ 9,649,502
General Plant	\$ 18,550,838	\$ 442,304	\$ 540,594	\$ 638,88,
Total Plant in Service	\$ 141,304,726	\$ 9,559,987	\$11,684,429	\$ 13,808,870



Delivery Charge – Formula cont.

- The basic ratemaking formula: **Expenses** + (**Rate Base** x **Rate of Return**) = **Revenue Requirement**

	ROR – 9%	ROR – 11%	ROR – 13%
Operating Expenses	\$ 15,476,215	\$ 15,488,375	\$ 15,500,535
Rate of Return	\$ 9,559,987	\$ 11,684,429	\$ 13,808,870
Revenue Requirement	\$ 25,036,202	\$ 27,172,804	\$ 29,309,405



Delivery Charge – Energy & Capacity

	ROR – 9%		ROR – 11%		ROR – 13%	
Revenue Requirement	\$ 25,036,202		\$ 27,172,804		\$ 29,309,405	
Allocation	<u>Energy</u> \$ 6,824,459	<u>Capacity</u> \$18,211,743	<u>Energy</u> \$ 6,788,021	<u>Capacity</u> \$ 20,384,783	<u>Energy</u> \$ 6,757,201	<u>Capacity</u> \$ 22,552,204
Energy (per kWh)	\$.006		\$.006		\$.006	
Capacity (per kW)	\$ 6.35		\$ 7.11		\$ 7.86	



Rate Component – Integration Charge

- Services the District provides in both balancing loads intra-hour and providing ancillary services
 - Energy products are hourly-based. Loads are dynamic.
 - All loads must have reserves, meet frequency response objectives, capacity obligations, be within a Balancing Authority Area and meet NERC/WECC compliance
- The monthly rate is equal to the sum of the following two components:
 - **.03 * (Peak monthly load) * \$8.50/kwm**
 - **(Peak – Avg load) * \$8.50/kwm**



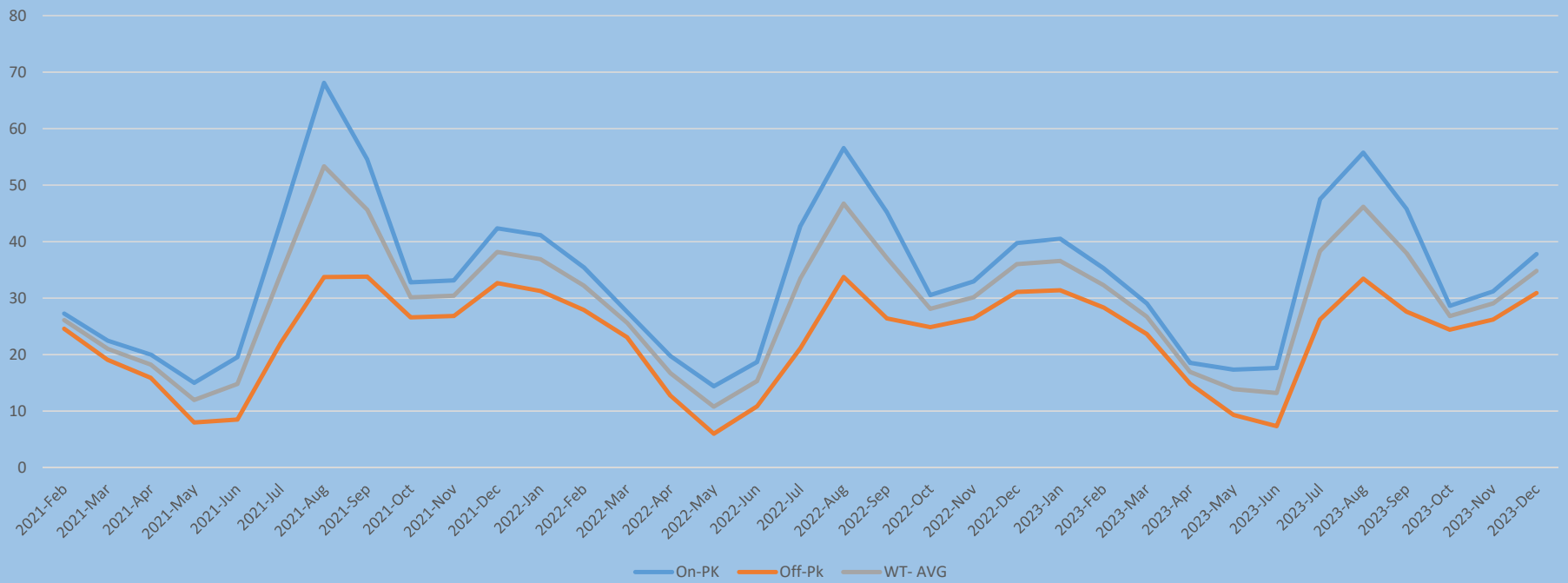
Rate Component – Power Charge

- Power products will be sourced from the market.
 - Characteristics of the product will be based upon customer forecasts (e.g. hourly/monthly shape, length, and settlement mechanism)
- The District will procure the resource on behalf of the Customer.
 - Sufficient financial guarantees will need to be in place to protect the District from a stranded resource risk
- Imbalance between the hourly import and the hourly load will be settled financially
- Non-Carbon attributes



Energy Prices

Forward Price Curve (\$/MWh)



Power Delivery Rate Example – 11% ROR

Average 10 MW load with 10.5 MW Peak

	2021	2022	2023	2024	2025
Administrative Charge	\$ 3,215.00	\$ 3,399.00	\$ 3,594.00	\$ 3,800.00	\$ 4,018.00
Energy Charge	45,990.00	45,990.00	53,655.00	53,655.00	53,655.00
Delivery Charge	74,655.00	76,545.00	78,435.00	80,430.00	82,635.00
Integration Charge 3% *(Peak monthly load)* \$8.50/kW	2,677.50	2,677.50	2,677.50	2,677.50	2,677.50
Integration Charge (Peak – Avg. load)* \$8.50/kW	4,250.00	4,250.00	4,250.00	4,250.00	4,250.00
Market Power	225,859.68	222,770.45	225,414.88	229,950.00	229,950.00
Estimated cost per month	\$ 356,647.18	\$ 355,631.95	\$ 368,026.38	\$ 374,762.50	\$ 377,185.50
Estimated cost per year	\$ 4,279,766.13	\$ 4,267,583.40	\$ 4,416,316.50	\$ 4,497,150.00	\$ 4,526,226.00



Power Delivery Rate Example – 11% ROR

Average 10 MW load with 13.5 MW Peak

	2021	2022	2023	2024	2025
Administrative Charge	\$ 3,215.00	\$ 3,399.00	\$ 3,594.00	\$ 3,800.00	\$ 4,018.00
Energy Charge	59,130.00	59,130.00	68,985.00	68,985.00	68,985.00
Delievery Charge	95,985.00	98,415.00	100,845.00	103,410.00	106,245.00
Integration Charge 3% *(Peak monthly load)* \$8.50/kW	3,442.50	3,442.50	3,442.50	3,442.50	3,442.50
Integration Charge (Peak – Avg. load)* \$8.50/kW	29,750.00	29,750.00	29,750.00	29,750.00	29,750.00
Market Power	225,859.68	222,770.45	225,414.88	229,950.00	229,950.00
Estimated cost per month	\$ 417,382.18	\$ 416,906.95	\$ 432,031.38	\$ 439,337.50	\$ 442,390.50
Estimated cost per year	\$ 5,008,586.13	\$ 5,002,883.40	\$ 5,184,376.50	\$ 5,272,050.00	\$ 5,308,686.00



Estimated Power Delivery Rate – Per mWh

All-In District Cost per mWh	9% ROR	11% ROR	13% ROR
Avg. 10 MW load with 10.5 MW Peak	\$ 16.84	\$ 17.92	\$ 18.91
Avg. 10 MW load with 13.5 MW Peak	\$ 24.85	\$ 26.24	\$ 27.51



Proposed Timeline

