

GWP Electric and Water 5 Year Finance and Rate Plan

May 3, 2018



Background

- Each 5 Year Finance and Rate Plan begins with the development of a Cost of Service Analysis (COSA)
- GWP hired New Gen Strategies and Solutions, LLC (NewGen) and Raftelis Financial Consultants, Inc. (Raftelis) to conduct new electric and water COSAs
- COSA Goals:
 - Evaluate and identify the total costs required to operate the utility over the study period
 - Calculate the optimal mix of debt and rate (i.e. cash) funded portions of the capital program to provide financial stability over the study period, FY 2018-2019 to FY 2022-2023, and design competitive rates consistent with Propositions 26/218

GWP Electric 5 Year Finance and Rate Plan

GWP Electric Rate Structure

GWP's rate structure includes two components:

- Base rates: reflect the majority, or the base costs of delivering power and electricity to customers
- Cost adjustments: used to manage the difference between projected and actual costs for specific GWP accounts, market conditions, or regulatory impacts
 - Regulatory Adjustment Charge (RAC)
Currently (\$0.0076/kWh)
 - Energy Cost Adjustment Charge (ECAC)
Currently (\$0.00/kWh)
 - Revenue Decoupling Charge (RDC)
Currently (\$0.00/kWh)

Changes from Previous COSA

- The new COSA indicates that the current revenues collected from the Residential class are significantly below Proposition 26 requirements as such COSA proposes new rates designed to move this customer class closer to required levels
- Time of Use rates have been redesigned to better incentivize off peak usage and to promote adoption of electric vehicles

Proposed Revenue Adjustments

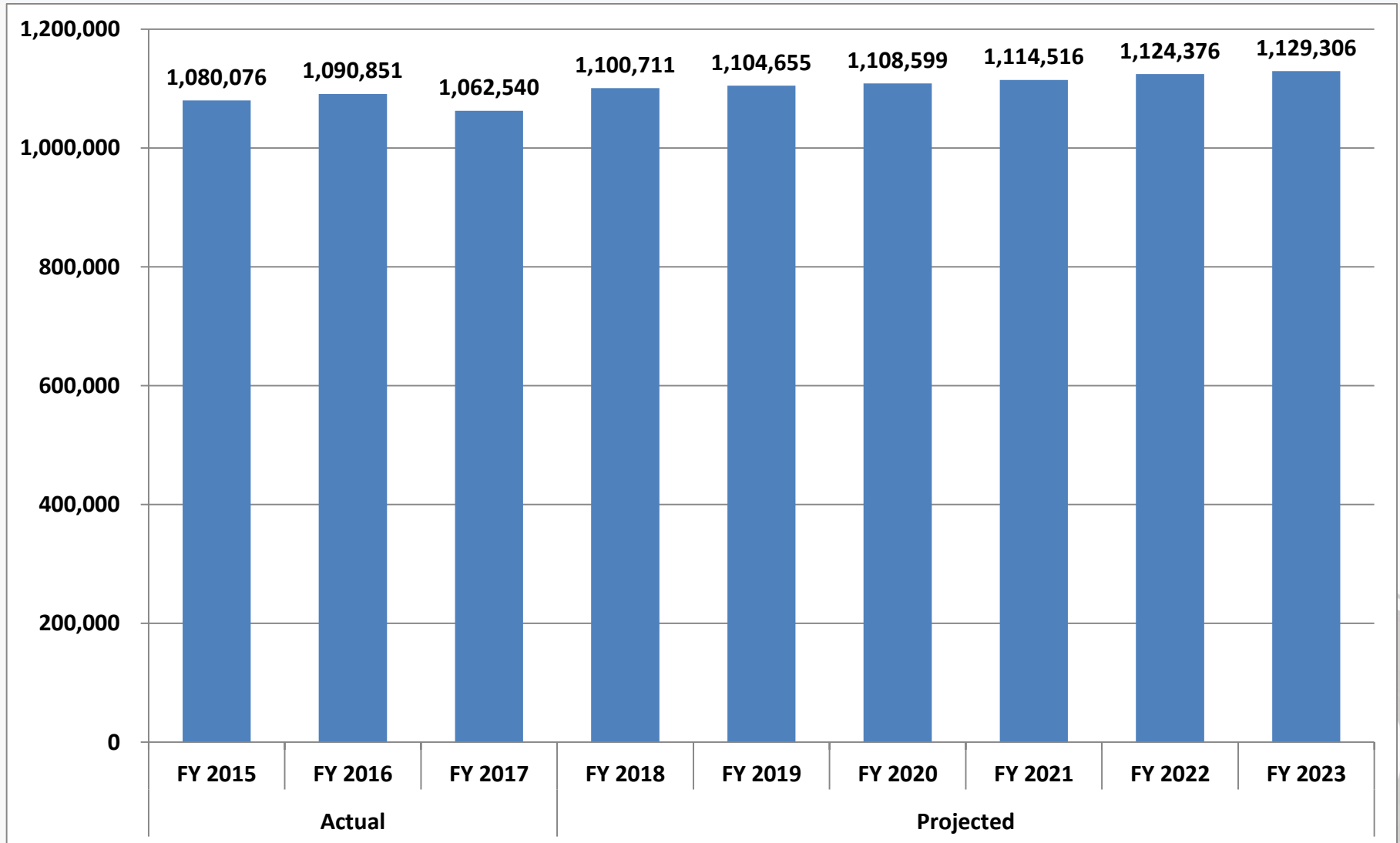
GWP is proposing the following total annual base rate revenue adjustments over the next five years:

FY 2018-2019	0.0%
FY 2019-2020	+0.5%
FY 2020-2021	+1.0%
FY 2021-2022	+1.0%
FY 2022-2023	+1.0%

Major Findings and Recommendations

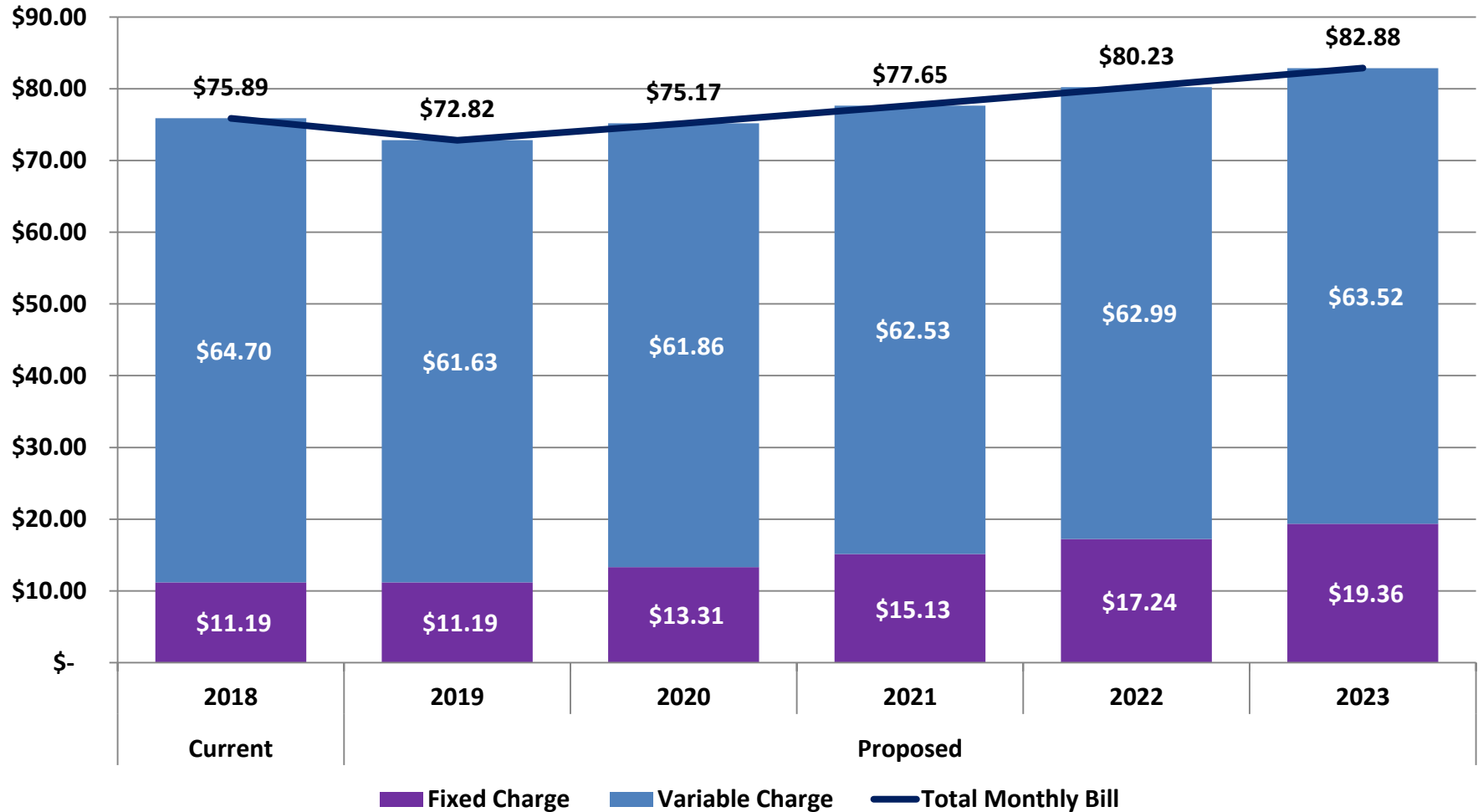
- In year 1, all customer classes see a bill reduction as the Regulatory Adjustment Charge of \$0.0076/kwh is reduced to zero
- In year 2, commercial rates will remain steady or experience continued reductions, while residential customers will experience increases due to Proposition 26 requirements
- To reduce the impact on residential customers required by Proposition 26, GWP will phase in the required rate adjustments over 9 years starting in FY 2019-2020

Electric Demand (MWh)



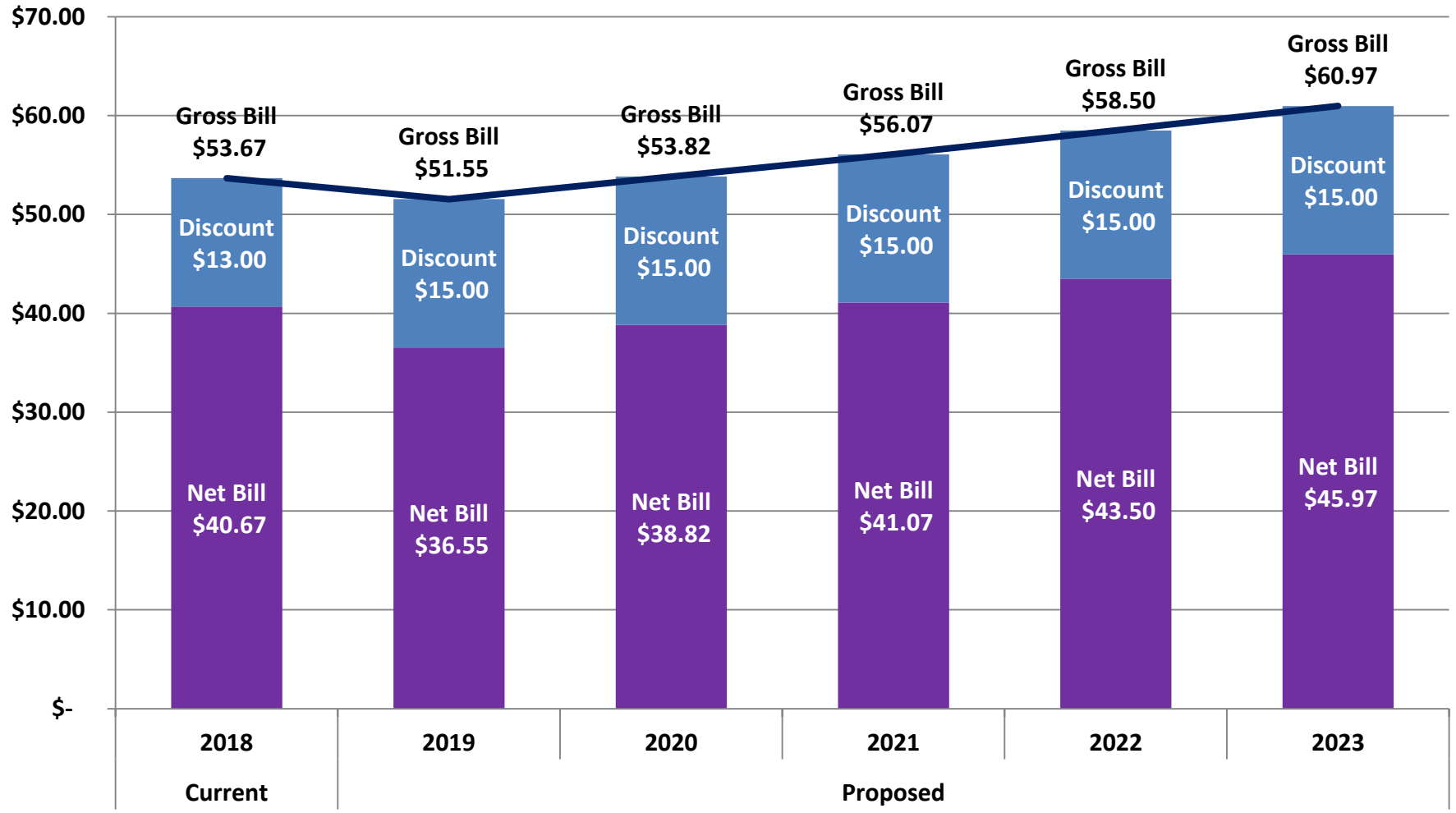
Residential Monthly Bill – L1A

Average 404 KWh Per Month



Low Income Monthly Bill

Average 280 KWh Per Month



GWP Water 5 Year Finance and Rate Plan

Changes from Previous COSA

- Projected capital improvement costs are included in potable rates using a hybrid methodology where 55% of the cost is included in the variable rate, and 45% of the cost is included in the fixed rate
- The methodology for calculating the fixed (meter) charge was modified to include both customer and capital costs
 - All meters are charged the same customer cost
 - The capital cost is equal to the fixed portion of the capital cost multiplied by the corresponding meter ratio for each meter size

Changes from Previous COSA

- The tier structure for single family customers was reduced from four tiers to three
- The total average rate for Recycled and Fire Line rates are reduced
- The Drought Charge has been reduced

Proposed Revenue Adjustments

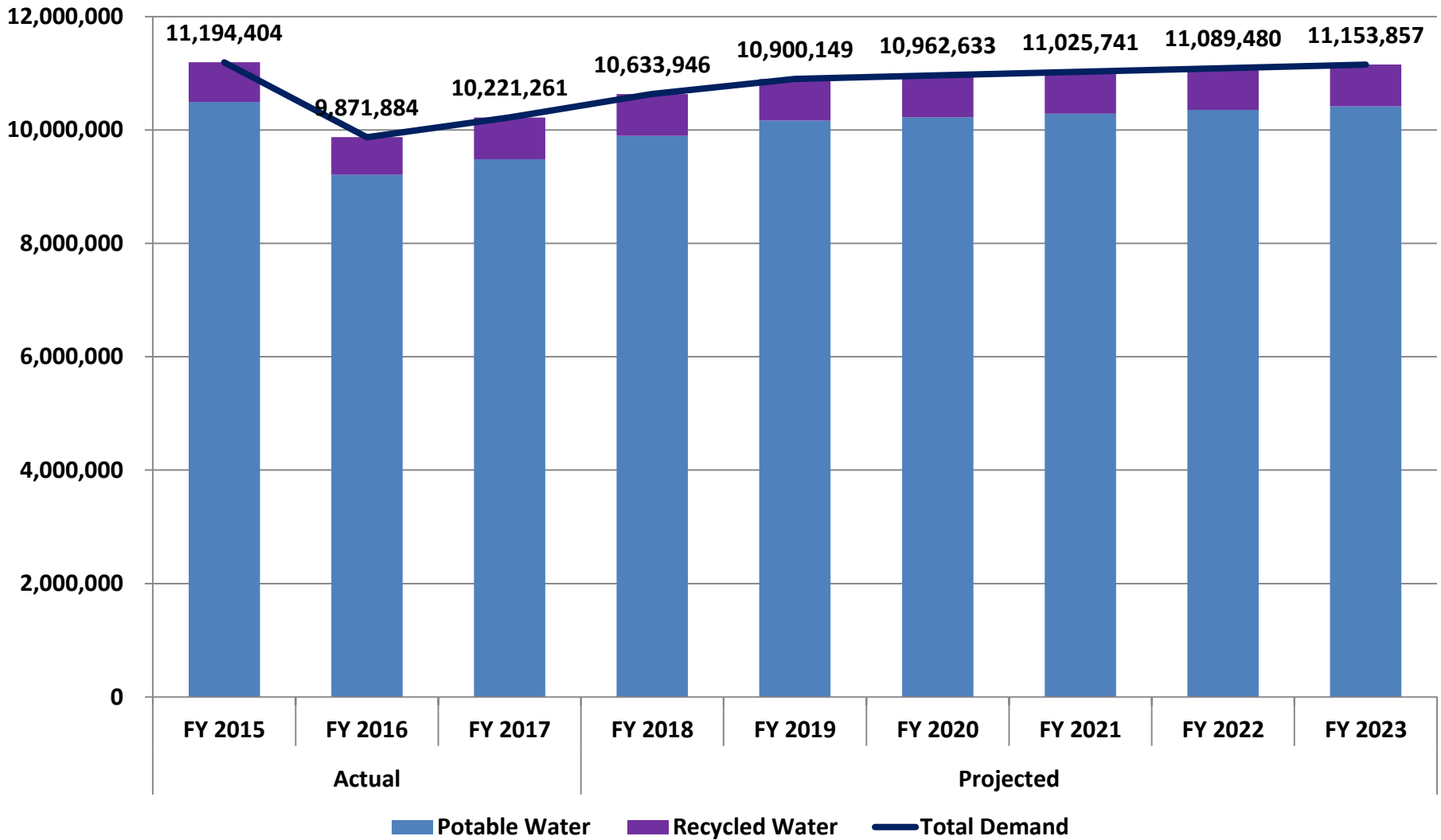
- GWP is proposing the following total annual revenue adjustments over the next five years:

FY 2018-2019	+1.0%
FY 2019-2020	+1.0%
FY 2020-2021	+1.5%
FY 2021-2022	+2.0%
FY 2022-2023	+2.0%

Major Findings and Recommendations

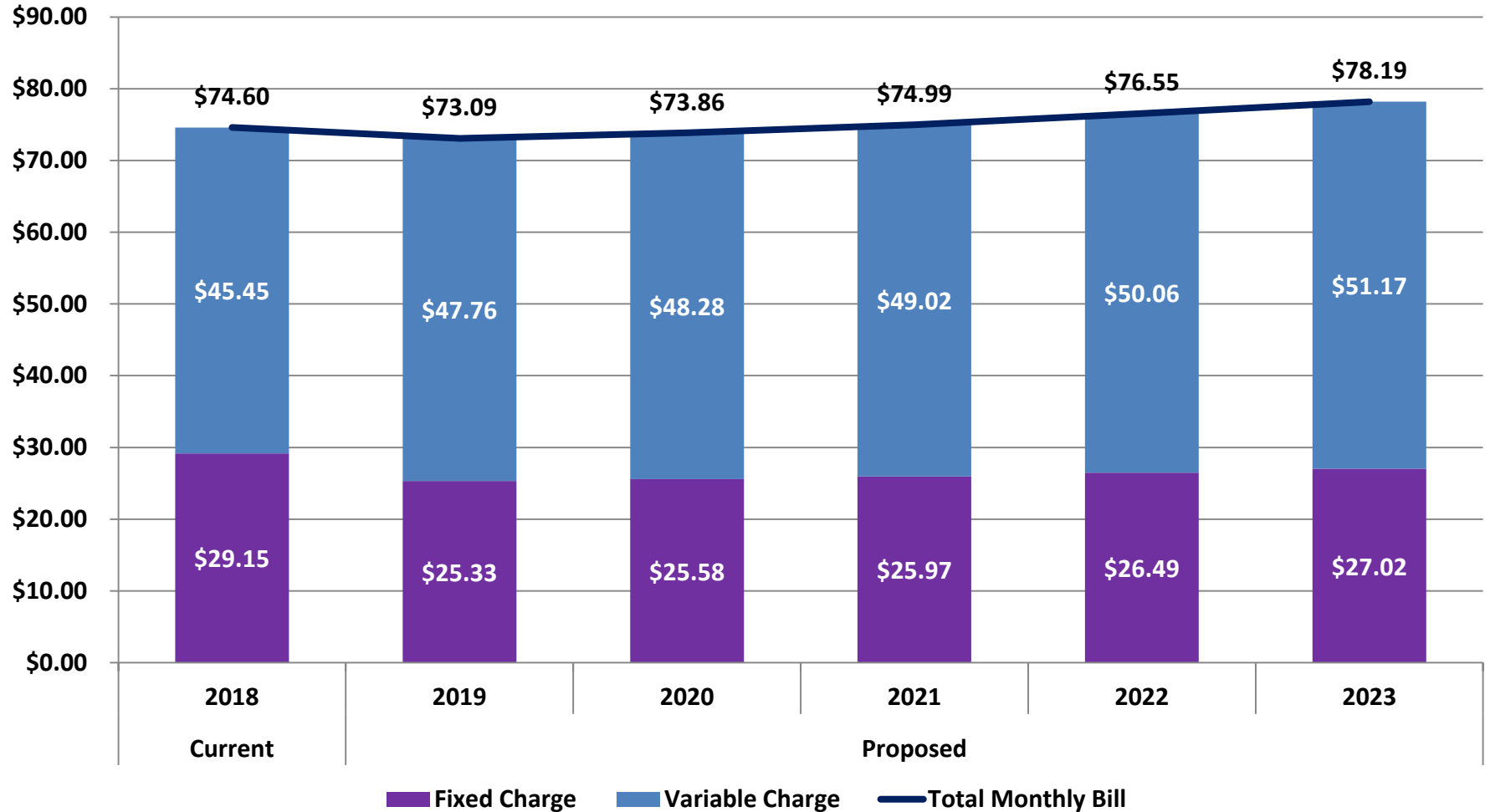
- To remain in compliance with Proposition 218, the cost allocated to each customer class and each tier is proportionate to their fair share of the system costs
- In FY 2018-2019, this results in a bill decrease for the average Single Family and Multi-Family customer, while the average commercial and irrigation customer will see a bill increase

Annual Water Demand (HCF)



Single Family Bill Impact

3/4" Meter, 15 HCF Month





Your Trusted Community Utility

