



L&P Rate Increase

Presentation to City Council
Proposed February 2017 Rate Increase
November 28, 2016

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Purpose of Tonight's Presentation

- Staff will be proposing to increase electric rates by 4.75% effective February 2017
- Pursuant to previous Council guidance, staff is proposing to start the public information process ahead of a potential rate increase and is looking for Council consensus to begin the public information process
- Staff is looking to put information about the potential rate increase on the City's website, in the December FYI utility bill stuffer, and in the City's weekly ad in the Forest Grove NewsTimes

History

- The City completed a Cost of Service Study and Rate Design in December 2014.
- The study showed that ongoing rate increases were needed for the Light & Power Dept. to continue recovering the cost of providing service and maintaining an appropriate fund balance.
- Study showed that existing revenue was falling short of meeting current and future needs due to:
 - Existing operating costs not met
 - BPA power costs are projected to increase
 - Costs of new debt service for substation improvements

History (cont.)

- Staff recommended and Council concurred with the rate increases described in the study.
- The rate increases recommended as a result of the study:

Revenue Requirement	FY2015	FY2016	FY2017	FY2018
Proposed Increases	6.00%	6.00%	6.00%	6.00%

- Minimizes rate impacts over time
- Requires the use of \$1.93 million of reserves between FY2015 and FY2017
- Assumes February implementation date for all increases

History (cont.)

- Electric rate were increased:
 - 6% effective January 15, 2015
 - 4.5% effective January 16, 2016
- As part of the Rate Study, the consultant developed a model that can be used on an ongoing basis to project how much rates should change to meet L&P financial goals.
- Rates were increased 4.5% instead of the planned 6% as the model showed that only a 4.5% increase was needed to meet financial goals.

Proposed Rate Increase

- Staff is initially proposing a 4.75% for services provided on or after February 20, 2017, which means customers will see the increase on the bill they receive in April 2017.
- The 4.75% increase consists of:
 - 4.5% for costs included in the Cost of Service Study
 - 0.25% to fund increasing retirement costs for L&P
- During December 2016, staff will:
 - Provide the information on the proposed rate increase to the public.
 - Update the cost model to see if the proposed rate increase maintains the financial goals established during the 2014 Rate Study.

Proposed Rate Increase

- Staff will bring the proposed rate increase to the City Council for a public hearing and approval at either its January 9th or January 23rd meeting.
- Staff is looking for Council consensus to begin the process for the proposed rate increase.

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