



MMED Proposed Rate Changes

A Presentation to the Mansfield
Municipal Light Board

April 29, 2020

Rate Design Objectives

◆ Overall objectives of rate design:

- Recover all costs of owning, operating and maintaining the electric system
- Provide adequate funds to replace and expand the electric plant
- Rates should be equitable, competitive and understandable

◆ Specific objectives for MMED rate design:

- Reduce the over-collection of purchased power costs by decreasing Purchased Power Charges in the rates

Projections with Existing Rates

- ◆ If current rates remained in place there would \$1.3 million in Net Income
- ◆ Analysis indicates that the present distribution rates are adequate and don't need to be changed
 - Without the revenue credits the overall rates of return range from minus 1% for residential to 9% for general service
- ◆ Purchased power costs would be over-collected by \$3.4 million
 - \$2 million will be returned through the Revenue Credits
 - An additional \$1.4 million would need to be returned to the ratepayers due to customer over-collection

Proposed Rate Changes

- ◆ Leave distribution rates unchanged
- ◆ Adjust the Purchased Power Charges to reflect projected expenses
 - Reduction of 1.58 cents in purchased power energy charge
- ◆ Revise the current Revenue Credits
 - Keep a 0.4 cent credit for residential customers as the NYPA hydropower credit
 - Non-residential credit will be zero

Proposed Restructured Rate: Residential

	PRESENT RATE:	PROPOSED RATE:
Customer Charge	\$4.00	\$4.00
Distribution Energy Charge First 1,000 kWh	0.0367	0.0367
Over 1,000 kWh	0.0533	0.0533
Purchased Power Energy Charge	0.0928	0.0770
Residential Credit	-0.0130	
NYPA Hydropower Credit		-.0040
Total Energy Charge First 1,000 kWh	\$0.1165	\$0.1097

Proposed Restructured Rate: Commercial

	PRESENT RATE:	PROPOSED RATE:
Customer Charge	\$7.40	\$7.40
Distribution Energy Charge	\$0.0616	\$0.0616
Purchased Power Energy Charge	0.0928	0.0770
Commercial Credit	-0.0085	
Total Energy Charge	\$0.1459	\$0.1386

Proposed Restructured Rate: General Service Demand

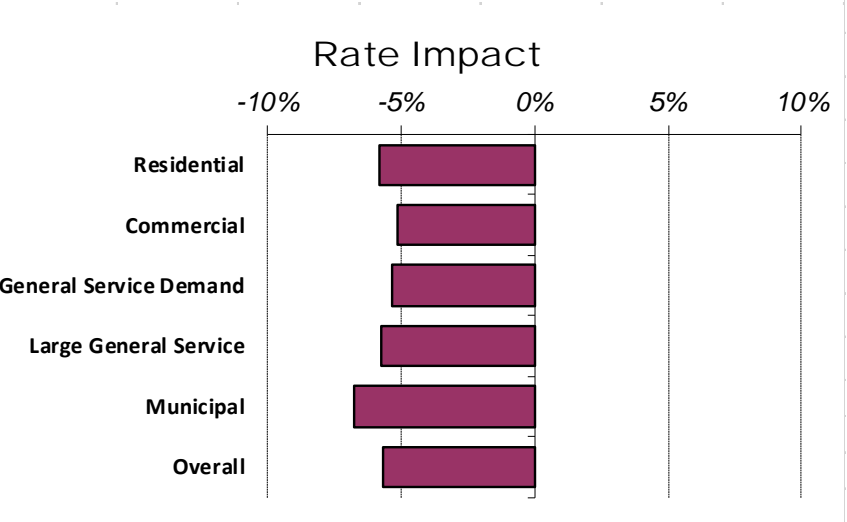
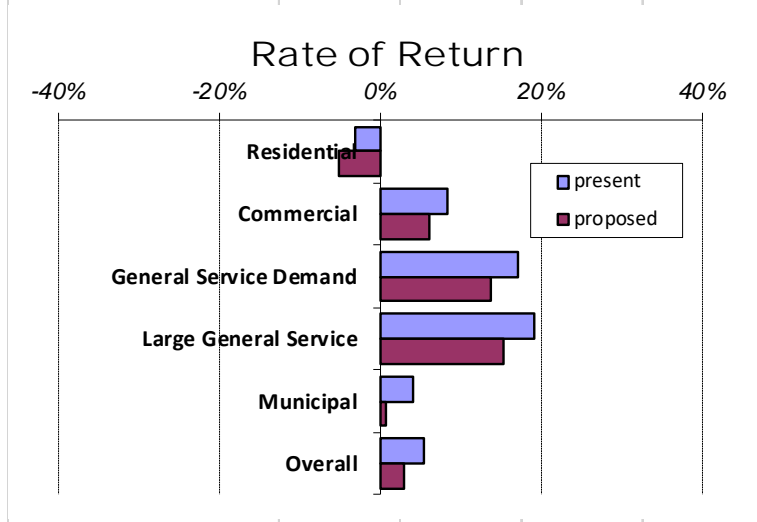
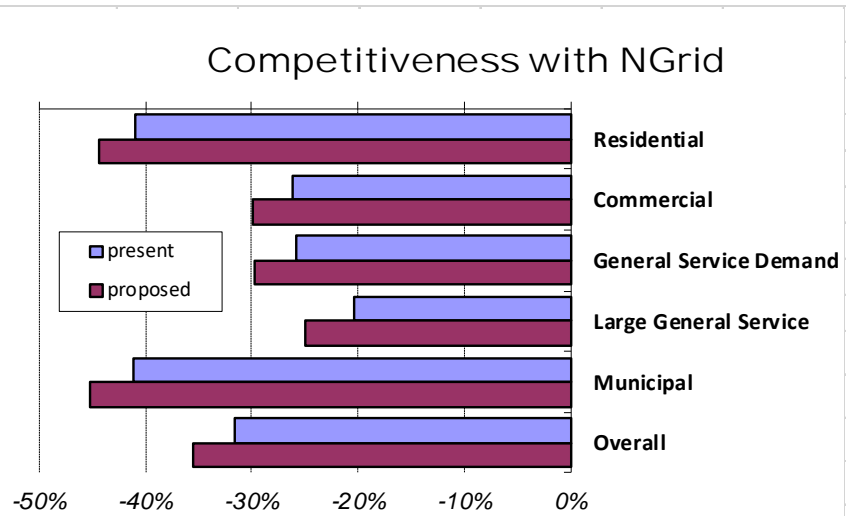
	PRESENT RATE:	PROPOSED RATE:
Customer Charge	\$20.00	\$20.00
Distribution Demand Charge	\$4.50	\$4.50
Distribution Energy Charge	\$0.0275	\$0.0275
Purchased Power Demand Charge	\$12.47	\$12.47
Purchased Power Energy Charge	0.0588	0.0430
Commercial Credit	-0.0085	
Total Energy Charge	\$0.0778	\$0.0705

Proposed Restructured Rate: Large General Service

	PRESENT RATE:	PROPOSED RATE:
Customer Charge	\$100.00	\$100.00
Distribution Demand Charge	\$4.00	\$4.00
Distribution Energy Charge	\$0.0235	\$0.0235
Purchased Power Demand Charge	\$12.47	\$12.47
Purchased Power Energy Charge	0.0588	0.0430
Commercial Credit	-0.0085	
Total Energy Charge	\$0.0738	\$0.0665

Summary of Rate Change

Rate Class	Rate of	Revenue Change		MMED vs.
	Return	(\$000)	(%)	Ngrid
	(%)			(%)
Residential	-5.1%	\$ (542)	-5.8%	-44.3%
Commercial	6.1%	(70)	-5.1%	-29.9%
General Service Demand	13.7%	(252)	-5.4%	-29.7%
Large General Service	15.2%	(471)	-5.7%	-24.9%
Municipal	0.8%	(67)	-6.7%	-45.1%
Overall	2.9%	\$ (1,401)	-5.6%	-35.5%



Impact of Rate Change

- ◆ Lower purchased power costs are passed through to ratepayers through reduced rates
- ◆ Savings from hydropower are credited directly to residential customers in a visible way
- ◆ The existing bill credits are reset to zero but are still available to adjust revenues in the future if cash reserves go above (or below) the target level
- ◆ All customers should see at least a 5% reduction in their bills

Impact of Potential Loss of Sales

- ◆ We performed a sensitivity analysis looking at the impact of a loss of sales to large customers (General Service Demand and Large General Service)
- ◆ Assumed that 20% of sales to those two classes were lost for all of FY21
 - Total sales dropping from 201 million kWh to 180 million
 - A 10% loss of sales overall
 - Equivalent to the drop in sales between 2008 and 2009 in the last recession
- ◆ Net Income falls to zero from \$1.2 million
 - If sales don't recover rate increases would be needed by FY22 to fund capital program