La Capra Associates

Belmont Municipal Light Department

MEETING OF BELMONT MUNICIPAL LIGHT DEPARTMENT BOARD

ELECTRIC RATE CHANGES

Presented by: **Lee Smith**
La Capra Associates, Inc.

Presented to: **BMLD Board**

February 4, 2008

La Capra Associates

BMLD RATE DESIGN STUDY 2008

- Total amount of costs needed was determined collectively by BMLD management and La Capra Associates
- BMLD provided data on sales, and La Capra Associates determined overall rate increase needed to cover 2008 costs
- Study also determined how much it will cost to serve different customer classes
- Study also designed rates to collect needed revenues
- Rates designed to give customers an opportunity to reduce customer own costs and system total costs

La Capra Associates

RATES CAN HELP REDUCE COSTS BY PROVIDING "CORRECT" PRICE SIGNALS

- Rates should inform customers that usage at the time of monthly peaks increases costs.
- Rates should inform customers that usage increases costs at the time of the New England peak
- Current rates do not do this
- New rates will provide better "price signals"
- Customers will be able to respond and reduce their bills

La Capra Associates

CHANGES TO CURRENT RATE DESIGNS

- Increasing block rates *(e.g., customers will pay more for usage above 1600 kWh per month in the summer)*
- Higher demand charges (charges for maximum monthly use) for commercial customers
- Higher demand charges in summer than in winter
- Demand meters and rates will be put on fairly large commercial customers who do not currently pay for their peak demand

La Capra Associates

THESE RATES ARE ONLY FIRST STEP

- Rates that really inform customers of the cost of use at different times (time-differentiated rates) will be even better
- Time differentiated rates enable customers to save by shifting and reducing their energy use
- Implementing these “load response” rates will require more sophisticated metering, monitoring of load, and billing

La Capra Associates

EFFECT OF RATE DESIGN CHANGES

- Big summer residential users will pay more ($$ and %) of the increase than other users
- Customers can reduce bills by reducing summer use
- Commercial & industrial customers who put a heavy demand on system peak will pay for it
- Most commercial customers can reduce bills by reducing their peak load
- Municipal customers can also reduce bills by reducing peak load
- Larger Municipal B customers will save as they are moved to Municipal E

La Capra Associates

NEW RATES

- Next slides show what “bundled” rates will mean to various customer classes
- These rates assume each customer class pays full cost of serving them, except for low income residential class
- Final rates that appear on bills will actually split these same charges into charges for generation, transmission, and distribution components

La Capra Associates

LOW INCOME RESIDENTIAL CLASS

- Residential customers who qualify as low income by their eligibility for various programs are on a rate without a customer charge – and with a lower than average energy charge
- This treatment of low income rate is continued; the share of costs that they will not pay is collected from other non-municipal classes
- Low income customers' bills will increase by about 48%

La Capra Associates

RESIDENTIAL RATE CHANGES *(without RS credit)*

Residential Rate

	Current Rate	Proposed Rate	Changes to Charges: Increase/ (Decrease)	Changes to Charges: % Increase/ (% Decrease)
Customer Charge	$7.99	$10.00	$2.01	25.2%
First block	$0.11380	$0.17417	$0.06081	53.1%
Over 1600 kwhs summer month	$0.11380	$0.20417	$0.20461	79.4%

Low Income Rate

	Current Rate	Proposed Rate	Changes to Charges: Increase/ (Decrease)	Changes to Charges: % Increase/ (% Decrease)
Customer Charge	$0.00	$0.00	$0.00	0.0%
First block	$0.08500	$0.12597	$0.04097	48.2%
Over 1600 kwhs summer month	$0.08500	$0.15597	$0.15597	83.5%

La Capra Associates

IMPACTS OF THIS RATE ON RESIDENTIAL CUSTOMERS

			Changes to Bills	
Regular rate	Monthly kwhs	Approximate # customers Impacted	Monthly $ increase	Monthly % increase
any month	700	1500	$44.27	50.5%
winter month	2000	200	$122.76	52.1%
summer month	2000	300	$134.76	57.2%
Low income residential				
any month	300	100	$12.29	48.2%
any month	700	40	$28.68	48.2%
summer month	2000	2	$93.94	55.3%

La Capra Associates

SMALL COMMERCIAL BILL IMPACTS

	monthly kwhs	winter monthly bill	winter % increase	summer % increase
Rate B				
Without demand meter	2000	$397	53.2%	53.2%
Without demand meter	6000	$1,162	53.6%	53.6%
Low load factor	2000	$398	53.4%	60.4%
High load factor	2000	$358	37.9%	41.4%
Low load factor	10000	$1,930	53.8%	61.0%
High load factor	10000	$1,728	37.8%	41.3%
Muni Rate B				
Low load factor	2000	$382	89.8%	89.8%
Low load factor	10000	$1,902	97.2%	106.5%
High load factor	10000	$1,700	76.3%	80.9%

La Capra Associates

LARGE COMMERCIAL / INDUSTRIAL BILL IMPACTS

Rate E	monthly kwhs	winter bill	winter % increase	summer % increase
Low load factor	20000	$4,178	50.1%	56.5%
High load factor	20000	$3,327	48.1%	52.1%
Low load factor	60000	$12,174	51.1%	57.7%
High load factor	60000	$9,620	49.2%	53.4%
Muni Rate E				
Low load factor	60000	$9,494	56.7%	65.5%
High load factor	60000	$8,284	53.0%	57.0%
Rate F				
Low load factor	10000	$2,139	64.3%	71.5%
High load factor	10000	$1,691	60.1%	64.7%
Low load factor	60000	$12,636	64.6%	71.9%
High load factor	60000	$9,948	60.4%	65.1%

La Capra Associates

ALTERNATIVES TO PROPOSED RATES

- The rates already presented represent each class (except low income) paying cost of serving them (Option 1)
- This has been recommended by Municipal Light Advisory Board
- Another option is that municipal customers be excused from paying any part of BMLD “earnings” – primarily payment to the Town – (Option 2)
- Another option is that increase to municipal customers is kept at the system average increase (Option 3)

La Capra Associates

IMPACT OF VARIOUS OPTIONS

- Rates resulting from Option 1 already shown
- Option 2 will mean that municipal customers will pay $50,000 less
- Option 2 will mean residential and commercial rates will be somewhat higher than rates that were shown
- Option 3 will mean that municipal customers will pay $368,000 less and other customers will pay more as a result
- Option 3 conflicts with ratemaking statute that says customers should pay cost of serving them

La Capra Associates

DOLLAR INCREASES RESULTING FROM 3 OPTIONS

All in thousands of dollars

	Current Revenue	OPTION 1 Increase	OPTION 2 Increase	OPTION 3 Increase
Rate A- Residential	$9,340	$4,605	$4,636	$4,839
Rate LI- Low Income	$116	$54	$54	$54
Rate B- Commercial	$2,308	$1,162	$1,170	$1,220
Power Rate E	$2,787	$1,351	$1,361	$1,421
Rate F- Commercial	$257	$152	$153	$159
Street Lighting	$225	$364	$349	$116
Rate MB - Muni	$317	$279	$260	$164
Rate ME- Large Muni	$274	$147	$131	$142
Total Company	$15,625	$8,114	$8,114	$8,114
Total increase to municipal customers		$790	$740	$422

Option 1 - all pay costs except Low Income - BMLAB recommendation

Option 2 - Municipal customers don't pay any of BMLD's earnings

Option 3 - Municipal increase set at system average %age increase

La Capra Associates

PERCENTAGE INCREASES RESULTING FROM 3 OPTIONS

	OPTION 1 Increase	OPTION 2 Increase	OPTION 3 Increase
Rate A- Residential	49%	50%	52%
Rate LI- Low Income	46%	46%	46%
Rate B- Commercial	50%	51%	53%
Power Rate E	48%	49%	51%
Rate F- Commercial	59%	60%	62%
Street Lighting	162%	155%	46%
Rate MB - Muni	88%	82%	52%
Rate ME- Large Muni	54%	48%	52%
Total Company	52%	52%	52%

Option 1 - all pay costs except Low Income - BMLAB recommendation

Option 2 - Municipal customers don't pay any of BMLD's earnings

Option 3 - Municipal increase set at system average %age increase

La Capra Associates

HELP FROM THE RATE STABILIZATION FUND

- BMLD had a Rate Stabilization fund that was established
  to deal with variations in power costs – particularly temporary ones
- A fund will still be needed in case there are sudden increases in costs which must be paid before PPTA can increase revenues
- There is more in the current fund than will be needed
- The fund can be used to benefit all customers in ways that provide some relief from power costs

La Capra Associates

USES OF EXCESS IN RATE STABILIZATION FUND

- Cannot reduce Basic Rate increases because when fund is used up, rates would be too low to collect costs
- Can reduce rates through a credit for 6 to 12 months for all customers
- Can use to help reduce power costs, as in installing advanced metering system

La Capra Associates

IMMEDIATE NEXT STEPS

- Light Board (Selectmen) must approve rates
- New Rates will be filed at the state Department of Public Utilities
- New Rates will go into effect March 1, 2008
- The Purchased Power and Transmission Adjustor will become zero
- Establish Rate Stabilization Fund credit?

La Capra Associates

RATE STABILIZATION FUND CREDIT

- A credit of $.006 per kWh would return $800,000 to customers over the next 12 months;
- Instead of an average increase of $.063 per kWh, customers would experience an average increase of $.057.
- Average increase would be 5% less than resulting from basic rate change.
- Or credit of about $.0075 would return this amount during remainder of 2008
- Would save municipal customers about $50,000

La Capra Associates

End of Presentation

Thanks

Contact Information:

Lee Smith, *Managing Consultant*
La Capra Associates, Inc.
Twenty Winthrop Square
Boston, MA 02110
617-557-9100, ext. 117
lsmith@lacapra.com