

2017 BPU Electric Rate Proposal

Background:

- Every three years, BPU is required to complete a Cost of Service Rate Study to determine if rates are just and reasonable.
- In 2016, staff completed a rate study recommending an increase in the utility's electric base rates.
- A public hearing process has been initiated to determine what, if any, electric rate adjustments should be implemented.
- Meetings and the hearing process will provide opportunities to discuss rate adjustments, environmental surcharges, billing processes, fuel cost procedures, and capital improvement projects required to meet the future energy needs of our community.

What's Being Proposed:

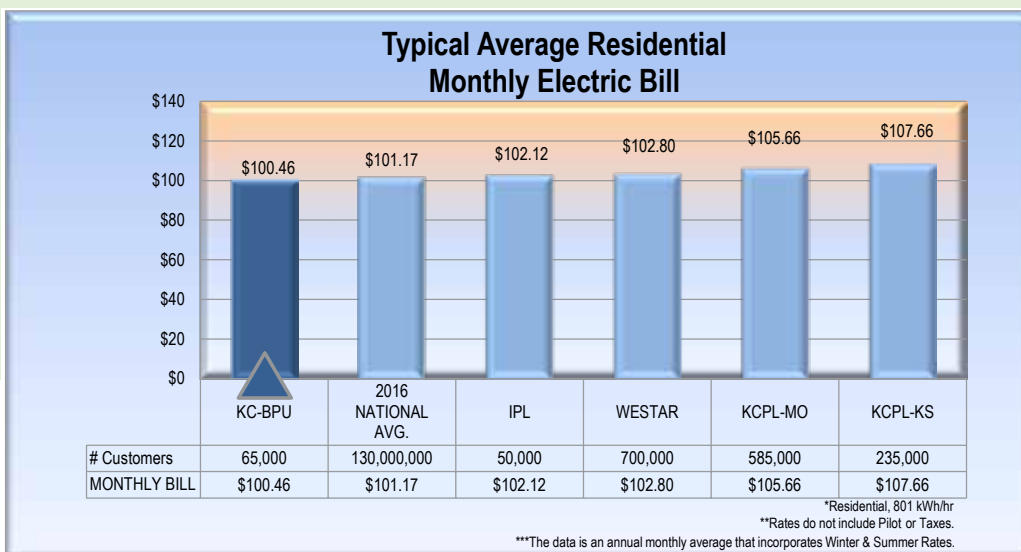
- Studies recommend an overall 4.0% increase in electric base rates for 2017 beginning March 1, and 4.0% in 2018.
- Adjustments will vary among customer groups based on cost of service and usage levels.
- Modifications to existing rate designs are also being proposed.

Impact on Customers:

- Average residential customer's bill will increase approximately \$5.14 a month in 2017 under this proposal.

Why This Is Necessary:

- BPU plans to invest more than \$222 million in non-environmental capital improvements to maintain the integrity of the utility's electrical system, and meet growth needs in our community over the next five years. Includes transmission, distribution, and production.
- BPU hasn't adjusted its rates in three years, with the last increase in 2013. Rates are below the national average and lower than surrounding utilities.
- Postponing a rate increase would delay capital and aging infrastructure improvements needed to support new growth in our community and may cause delays and service disruptions in certain areas.
- Inflationary pressure on costs of outside services, materials, and labor continue to increase.
- The utility has worked with an average of only 65 days of operating cash on hand over the last three years (with 90 recommended to maintain solid credit ratings).
- BPU won't be able to meet and maintain financial policy objectives and support the projected capital construction needs without additional revenue.



BPU: Competitive Rates

- BPU's rates are lower than other surrounding utilities, and below the national average.
- BPU hasn't adjusted its rates in the last three years (2013), while other electric utilities have repeatedly proposed and implemented double-digit increases.



THE POWER OF COMMUNITY

BPU: Fiscal Responsibility

- Taken steps to control costs and streamline operations, without threatening service interruptions or future growth needs. Introduced new standards and technology to help streamline operations and control costs.
- FY16 Budget reduced 30 full-time equivalent (FTE) staff positions from the previous year. BPU has decreased overall staff levels over the last six years by 55 positions.
- Effectively managed reduction of expenses, with Operating and Maintenance (O&M) expenses in 2016 only 1 percent higher than they were in 2010. By “holding the line,” today BPU has the same O&M budget as in 2012.

BPU: A Community Asset

- One of the top-ranked publicly-owned utilities in the country, BPU has provided affordable and reliable energy to Wyandotte County for nearly 110 years.
- Nationally recognized *Corporate Social Responsibility* (CSR) program, supporting and giving back to the community.
- 65,000 electric customers - 2 active power stations - 29 substations - 3,000 miles of electrical lines - 19,000 street lights - 9,000 traffic signal heads.

Critical Capital Improvement Projects:

(2016-2020) = \$222 million

- Electric Transmission – \$23.4 million
- Electric Substations – \$40.1 million
- Electric Overhead Distribution – \$28.6 million
- Electric Underground Distribution – \$9.9 million
- Electric General Construction - \$5.6 million
- New Technology - \$5.1 million
- Electric Transformers - \$4.5 million
- Traffic signals and lights - \$1.4 million



*“Average residential customer bill will increase only \$5.14 a month in 2017, a little more than fifteen cents a day.” **

* Will vary depending on consumption use and customer type.



Environmental Surcharge:

In addition to base rate adjustments, modifications to the Environmental Surcharge (ESC), which is used to support capital improvements resulting from federal, state, and local environmental regulations is also proposed.

Adjusted on an annual basis, the ESC is only used to recover the repayment of debt service associated with environmental capital improvements. Other utilities have a similar surcharge, including Westar.

What's Being Proposed:

The Electric Rate Study recommended modifying the ESC to allow for the recovery of an additional .30 coverage

or 1.3 times the annual debt service on bonds associated with environmental capital projects. Currently the ESC rider recovers 1.0 times the annual debt service. Without this proposed ESC modification additional base rate increases would be needed to meet debt coverage requirements.

Why This Is Necessary:

To ensure credit ratings are maintained and BPU maintains a stable financial position so future borrowing needs aren't jeopardized due to poor debt coverage metrics.

Impact on Customers:

The average residential customer's bill would increase approximately \$2.50 a month in 2017 above the existing ESC rider. This does not take into account current or future ESC adjustments that are scheduled to occur as the result of regularly scheduled debt repayments.

