



# Electric Rate Adjustment Considerations

Presented to the  
City of Dover, Delaware  
May 27, 2008



# Need for Rate Adjustments

- Current Rates Implemented July 1, 2007
- Additional Changes were Expected
- Financial Forecast was Updated
- Purchased Power Costs Adjusted
- Capital Requirements Incorporated



# Cost Drivers

- Projected Expenses Increasing:
  - Purchased Power Expenses
    - Up 10.4 Percent
  - Total Electric Operating Expenses
    - Up 7 Percent
  - Major Capital Improvements
    - \$22 Million in New Debt



# Financial Forecast

- Results were Reviewed
- Key Financial Targets:
  - Debt Service Coverage
  - Positive Net Margins
- Determined Revenue Adjustment
  - FY 2009 – 7.0 Percent



# Cost-of-Service Analysis

- Unbundled Revenue Requirements
  - Power Supply (Demand & Energy)
  - Transmission
  - Distribution
  - Customer
- Assigned Costs to Classes
  - Allocation Factors
- Summarized Results



# Indicated Level of Adjustments

Total	Transmission	Small Commercial	Medum Commercial	Large Commercial	Primary	Residential
<b>7%</b>	<b>7%</b>	<b>5%</b>	<b>13%</b>	<b>11%</b>	<b>0%</b>	<b>8%</b>



# Rate Design Analysis

- Address 7% Revenue Shortfall
- Rate Implementation Strategy
  - Implement July 1, 2008
  - Consider Cost of Service Results
  - Rate Adjustments by Class Vary





# Current and Proposed Rates

<u>Customer Class</u>	<u>Customer Charge</u> (\$/month)		<u>Energy Charge</u> (\$/kWh)		<u>Demand Charge</u> (\$/kW-month)	
	Current	Proposed	Current	Proposed	Current	Proposed
Residential	5.00	5.00	0.1343	0.1450	-	-
Small Commercial Single Phase	5.00	5.00	0.1387	0.1465	-	-
Small Commercial Three Phase	15.00	15.00	0.1387	0.1465	-	-
Medium Commerical Single Phase	5.00	5.00	0.0950	0.0915	9.75	15.70
Medium Commerical Three Phase	15.00	15.00	0.0950	0.0915	9.75	15.70
Large Commercial *	15.00	15.00	0.0950	0.0915	9.75	15.70
Primary *	10.00	10.00	0.0935	0.0895	9.60	11.25
Transmission *	-	-	0.0886	0.0875	6.25	10.50

\* Large Commercial, Primary and Transmission customer classes have power factor adjustment.

# Transmission Rate

Determination of Demand Adjustment

Power Factor Correction Change

Current	Proposed
90%	98.5%

Change Holds Transmission Customers  
to the Same Standard as the City



# Typical Bill Comparisons



# Residential

	July 1, 2007 Rate	July 1, 2008 Rate	Change	
			Amount	Percent
<b>Monthly Energy Usage of 1,000 kWh</b>				
Customer Charge	\$5.00	\$5.00	\$0.00	
Energy Charges	<u>134.30</u>	<u>145.00</u>	<u>10.70</u>	
<b>Total Bill</b>	<b>\$139.30</b>	<b>\$150.00</b>	<b>\$10.70</b>	<b>7.68%</b>
<b>Monthly Energy Usage of 750 kWh</b>				
Customer Charge	\$5.00	\$5.00	\$0.00	
Energy Charges	<u>100.73</u>	<u>108.75</u>	<u>8.02</u>	
<b>Total Bill</b>	<b>\$105.73</b>	<b>\$113.75</b>	<b>\$8.02</b>	<b>7.59%</b>



# Small Commercial – Rental Office

(Single Phase)

	July 1, 2007 Rate	July 1, 2008 Rate	<u>Change</u>	
			Amount	Percent
<b>Monthly Energy Usage of 2,226 kWh</b>				
Customer Charge	\$5.00	\$5.00	\$0.00	
Energy Charges	308.75	326.11	17.36	
Utility Tax	13.33	14.07	0.74	
<b>Total Bill</b>	<b>\$327.08</b>	<b>\$345.18</b>	<b>\$18.10</b>	<b>5.53%</b>
<b>Monthly Energy Usage of 3,220 kWh</b>				
Customer Charge	\$5.00	\$5.00	\$0.00	
Energy Charges	446.61	471.73	25.12	
Utility Tax	19.19	20.26	1.07	
<b>Total Bill</b>	<b>\$470.81</b>	<b>\$496.99</b>	<b>\$26.18</b>	<b>5.56%</b>



# Small Commercial – Bank

(Three Phase)

	July 1, 2007 Rate	July 1, 2008 Rate	Change	
			Amount	Percent
<b>Monthly Energy Usage of 2,507 kWh</b>				
Customer Charge	\$15.00	\$15.00	\$0.00	
Energy Charges	347.72	367.28	19.55	
Utility Tax	15.42	16.25	0.83	
<b>Total Bill</b>	<b>\$378.14</b>	<b>\$398.52</b>	<b>\$20.39</b>	<b>5.39%</b>
<b>Monthly Energy Usage of 3,510 kWh</b>				
Customer Charge	\$15.00	\$15.00	\$0.00	
Energy Charges	486.84	514.22	27.38	
Utility Tax	21.33	22.49	1.16	
<b>Total Bill</b>	<b>\$523.17</b>	<b>\$551.71</b>	<b>\$28.54</b>	<b>5.46%</b>



# Medium Commercial – Bank

(Single Phase)

	July 1, 2007 Rate	July 1, 2008 Rate	Change	
			Amount	Percent
<b>Monthly Energy Usage of 6,240 kWh, Demand of 18.50 kW</b>				
Customer Charge	\$5.00	\$5.00	\$0.00	
Demand Charges	180.38	290.45	110.08	
Energy Charges	592.80	570.96	-21.84	
Utility Tax	33.07	36.82	3.75	
<b>Total Bill</b>	<b>\$811.25</b>	<b>\$903.23</b>	<b>\$91.98</b>	<b>11.34%</b>
<b>Monthly Energy Usage of 5,683 kWh, Demand of 25.50 kW</b>				
Customer Charge	\$5.00	\$5.00	\$0.00	
Demand Charges	248.63	400.35	151.73	
Energy Charges	539.89	519.99	-19.89	
Utility Tax	33.72	39.33	5.60	
<b>Total Bill</b>	<b>\$827.23</b>	<b>\$964.67</b>	<b>\$137.44</b>	<b>16.61%</b>

# Large Commercial – Car Dealer

	July 1, 2007	July 1, 2008	Change	
	Rate	Rate	Amount	Percent
<b>Monthly Energy Usage of 43,000 kWh, Demand of 133.60 kW</b>				
Customer Charge	\$15.00	\$15.00	\$0.00	
Demand Charges	1,302.60	2,097.52	794.92	
Energy Charges	4,085.00	3,934.50	-150.50	
Power Factor Adjustment	-16.25	-26.16	-9.92	
Utility Tax	<u>229.61</u>	<u>257.00</u>	<u>27.39</u>	
<b>Total Bill</b>	<b>\$5,615.96</b>	<b>\$6,277.85</b>	<b>\$661.89</b>	<b>11.79%</b>
<b>Monthly Energy Usage of 42,520 kWh, Demand of 146.80 kW</b>				
Customer Charge	\$15.00	\$15.00	\$0.00	
Demand Charges	1431.30	2304.76	873.46	
Energy Charges	4039.40	3890.58	-148.82	
Power Factor Adjustment	-36.56	-58.87	-22.31	
Utility Tax	<u>233.14</u>	<u>263.94</u>	<u>30.80</u>	
<b>Total Bill</b>	<b>\$5,682.29</b>	<b>\$6,415.41</b>	<b>\$733.13</b>	<b>12.90%</b>

# Primary – Insurance Company

	July 1, 2007	July 1, 2008	Change	
	Rate	Rate	Amount	Percent
<b>Monthly Energy Usage of 129,000 kWh, Demand of 330.01 kW</b>				
Customer Charge	\$10.00	\$10.00	\$0.00	
Demand Charges	3,168.10	3,712.61	544.52	
Energy Charges	12,061.50	11,545.50	-516.00	
Power Factor Adjustment	712.37	834.81	122.44	
Utility Tax	<u>304.79</u>	<u>305.36</u>	<u>0.57</u>	
<b>Total Bill</b>	<b>\$16,256.76</b>	<b>\$16,408.29</b>	<b>\$151.53</b>	<b>0.93%</b>

<b>Monthly Energy Usage of 77,000 kWh, Demand of 300.00 kW</b>				
Customer Charge	\$10.00	\$10.00	\$0.00	
Demand Charges	2,880.00	3,375.00	495.00	
Energy Charges	7,199.50	6,891.50	-308.00	
Power Factor Adjustment	0.00	0.00	0.00	
Utility Tax	<u>201.79</u>	<u>205.53</u>	<u>3.74</u>	
<b>Total Bill</b>	<b>\$10,291.29</b>	<b>\$10,482.03</b>	<b>\$190.74</b>	<b>1.85%</b>

# Transmission

	July 1, 2007	July 1, 2008	Change	
	Rate	Rate	Amount	Percent
<b>Monthly Energy Usage of 1,674,000 kWh, Demand of 2,604.15 kW</b>				
Demand Charges	16,275.94	27,343.58	11,067.64	
Energy Charges	148,316.40	146,475.00	-1,841.40	
Power Factor Adjustment	1,946.97	3,270.92	1,323.94	
Utility Tax	<u>3,291.85</u>	<u>3,476.37</u>	<u>184.52</u>	
<b>Total Bill</b>	<b>\$169,831.16</b>	<b>\$180,565.86</b>	<b>\$10,734.70</b>	<b>6.32%</b>
<b>Monthly Energy Usage of 1,458,000 kWh, Demand of 2,234.00 kW</b>				
Demand Charges	13,964.06	23,459.63	9,495.56	
Energy Charges	129,178.80	127,575.00	-1,603.80	
Power Factor Adjustment	1,712.92	2,877.70	1,164.78	
Utility Tax	<u>2,862.86</u>	<u>3,020.69</u>	<u>157.84</u>	
<b>Total Bill</b>	<b>\$147,718.64</b>	<b>\$156,933.02</b>	<b>\$9,214.38</b>	<b>6.24%</b>

# Electric Rate Adjustment Considerations

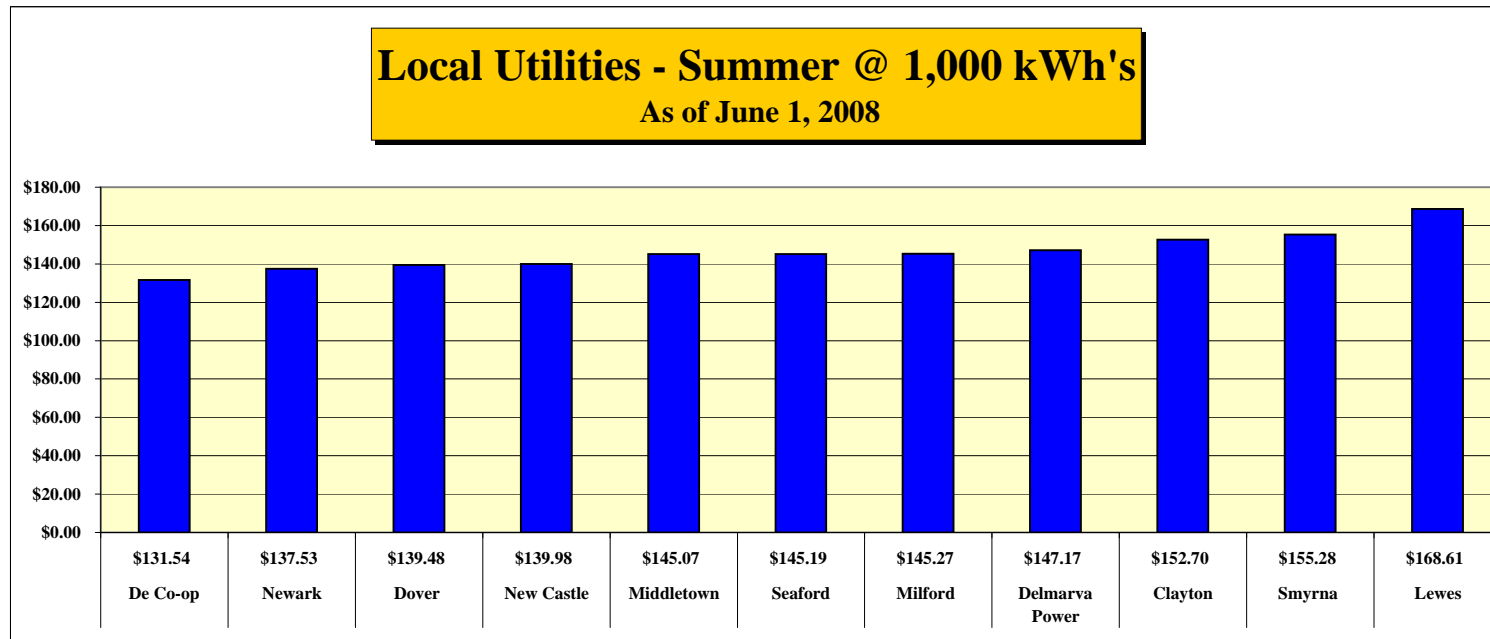
## Discussion and Questions



## RESIDENTIAL RATE COMPARISON @ 1,000 kWh

		<u>% Difference</u>	<u>% Difference</u>
<u>De Co-op</u>	\$131.54	0%	-11%
<u>Newark</u>	\$137.53	5%	-7%
<u>Dover</u>	\$139.48	6%	-5%
<u>New Castle</u>	\$139.98	6%	-5%
<u>Middletown</u>	\$145.07	10%	-1%
<u>Seaford</u>	\$145.19	10%	-1%
<u>Milford</u>	\$145.27	10%	-1%
<u>Delmarva Power</u>	\$147.17	12%	0%
<u>Clayton</u>	\$152.70	16%	4%
<u>Smyrna</u>	\$155.28	18%	6%
<u>Lewes</u>	\$168.61	28%	15%

\* Approximate. DP&L's new transmission capacity charge is based on each individual's Peak Load Contribution (PLC) to the overall transmission load. Each customer has a unique PLC that changes every January.



**RESIDENTIAL RATE COMPARISON @ 1,000 kWh**

		<u>% Difference</u>	<u>% Difference</u>
<u>De Co-op</u>	\$121.95	0%	-19%
<u>New Castle</u>	\$132.48	9%	-12%
<u>Milford</u>	\$133.53	9%	-11%
<u>Seaford</u>	\$136.79	12%	-9%
<u>Newark</u>	\$137.53	13%	-8%
<u>Dover</u>	\$139.48	14%	-7%
<u>Middletown</u>	\$148.24	22%	-1%
<u>Smyrna</u>	\$149.28	22%	-1%
<u>*Delmarva Power</u>	\$150.16	23%	0%
<u>Clayton</u>	\$152.70	25%	2%
<u>Lewes</u>	\$165.61	36%	10%

\* Approximate. DP&L's new transmission capacity charge is based on each individual's Peak Load Contribution (PLC) to the overall transmission load. Each customer has a unique PLC that changes every January.

