

# Village of Haskins Electric Rate Study Results

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# Objectives

- Review Electric Department
  - Financial Projections & Targets
    - Debt Coverage Ratios
    - Minimum Cash Reserves
    - Target Operating Income
- Review Cost of service results
  - Cost to service each class of customers
  - Monthly Customer Charges

# Assumptions

- Purchase Power
  - 2019 – 0.1% decrease
  - 2020 – 0.4% decrease
  - 2021 – 2.4% decrease
  - 2022 – 3% increase
- Annual Inflation 2.5%
- Annual Growth 1.3%
- Plant \$1250/customer
- Meters – A \$150, B \$500, C \$1000
- Depreciated Plant (60%)
- Capital Plan
  - 10% of plant

# Projection without Rate Change

Fiscal Year	Projected Rate Adjustments	Debt Coverage Ratio	Projected Expenses	Projected Revenues	Adjusted Operating Income	Target Operating Income	Projected Cash Balances	Recommended Minimum Cash
2018	0.0%	(3.77)	\$ 722,391	\$ 649,283	\$(73,108)	\$ 16,331	\$ 289,648	\$ 177,139
2019	0.0%	(4.10)	734,213	657,724	(76,489)	18,398	183,444	180,396
2020	0.0%	(4.22)	745,841	666,274	(79,567)	20,460	76,246	183,469
2021	0.0%	(3.09)	747,545	674,936	(72,609)	22,523	(21,916)	185,318
2022	0.0%	(5.55)	772,815	678,311	(94,504)	24,593	(139,739)	190,072

# Projection with Recommended Rate Change

Fiscal Year	Projected Rate Adjustments	Debt Coverage Ratio	Projected Expenses	Projected Revenues	Adjusted Operating Income	Target Operating Income	Projected Cash Balances	Recommended Minimum Cash
2018	3.5%	(1.15)	\$ 722,391	\$ 670,324	\$(52,067)	\$ 16,331	\$ 310,689	\$ 177,139
2019	3.5%	1.54	734,213	702,805	(31,408)	18,398	249,671	180,396
2020	3.5%	4.63	745,841	736,859	(8,982)	20,460	213,389	183,469
2021	3.5%	9.18	747,545	772,564	25,019	22,523	213,541	185,318
2022	3.5%	10.23	772,815	803,602	30,787	24,593	222,077	190,072

# Target One

## Debt Coverage Ratio (No Change)

Description	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
<b>Debt Coverage Ratio</b>					
Net Income	\$ (73,016)	\$ (76,786)	\$ (80,264)	\$ (73,708)	\$ (95,846)
Add Depreciation/Amortization Expense	39,914	41,222	43,837	46,452	49,067
Add Interest Expense	2,874	2,746	2,614	2,479	2,341
Cash Available for Debt Service	\$ (30,227)	\$ (32,819)	\$ (33,813)	\$ (24,776)	\$ (44,438)
Debt Principal and Interest	\$ 8,010	\$ 8,010	\$ 8,010	\$ 8,010	\$ 8,010
<b>Projected Debt Coverage Ratio (Covenants)</b>	<b>(3.77)</b>	<b>(4.10)</b>	<b>(4.22)</b>	<b>(3.09)</b>	<b>(5.55)</b>
<b>Minimum Debt Coverage Ratio</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>

# Target Two

## Minimum Cash Reserve

Description	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
<b>Minimum Cash Reserve Allocation</b>					
Operation & Maintenance Less Depreciation Expense	12.3%	12.3%	12.3%	12.3%	12.3%
Purchase Power Expense	12.3%	12.3%	12.3%	12.3%	12.3%
Historical Rate Base	3%	3%	3%	3%	3%
Current Portion of Debt Service Payment	100%	100%	100%	100%	100%
Five Year Capital Improvements - Net of bond proceeds	20%	20%	20%	20%	20%
<b>Calculated Minimum Cash Level</b>					
Operation & Maintenance Less Depreciation Expense	\$ 22,431	\$ 22,992	\$ 23,567	\$ 24,156	\$ 24,760
Purchase Power Expense	61,710	62,445	62,981	62,280	64,469
Historical Rate Base	19,613	21,574	23,535	25,496	27,458
Current Portion of Debt Service Reserve	8,010	8,010	8,010	8,010	8,010
Next Years Capital Improvements - Net of bond proceeds	-	-	-	-	-
Five Year Capital Improvements - Net of bond proceeds	65,375	65,375	65,375	65,375	65,375
<b>Minimum Cash Reserve Levels</b>	<b>\$ 177,139</b>	<b>\$ 180,396</b>	<b>\$ 183,469</b>	<b>\$ 185,318</b>	<b>\$ 190,072</b>
<b>Projected Cash Reserves</b>	<b>\$ 289,648</b>	<b>\$ 183,444</b>	<b>\$ 76,246</b>	<b>\$ (21,916)</b>	<b>\$ (139,739)</b>

# Target Three

## Target Operating Income

Description	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
<b>Target Operating Income Determinants</b>					
Net Book Value/Working Capital	\$ 326,875	\$ 351,028	\$ 372,567	\$ 391,490	\$ 407,798
Outstanding Principal on Debt	109,840	104,575	99,179	93,649	87,979
System Equity	\$ 217,035	\$ 246,453	\$ 273,387	\$ 297,841	\$ 319,819
<b>Target Operating Income Allocation</b>					
Interest on Debt	2.62%	2.63%	2.64%	2.65%	2.66%
System Equity	6.20%	6.35%	6.53%	6.73%	6.96%
<b>Target Operating Income</b>					
Interest on Debt	\$ 2,874	\$ 2,746	\$ 2,614	\$ 2,479	\$ 2,341
System Equity	\$ 13,456	\$ 15,652	\$ 17,846	\$ 20,044	\$ 22,252
<b>Target Operating Income</b>	<b>\$ 16,331</b>	<b>\$ 18,398</b>	<b>\$ 20,460</b>	<b>\$ 22,523</b>	<b>\$ 24,593</b>
<b>Projected Operating Income</b>	<b>\$ (73,108)</b>	<b>\$ (76,489)</b>	<b>\$ (79,567)</b>	<b>\$ (72,609)</b>	<b>\$ (94,504)</b>
<b>Rate of Return in %</b>	<b>5.0%</b>	<b>5.2%</b>	<b>5.5%</b>	<b>5.8%</b>	<b>6.0%</b>



# Electric Cost of Service Results

Customer Class	Cost of Service	Projected Revenues	% Change
Schedule A	\$ 560,964	\$ 468,882	19.6%
Schedule B	85,574	86,809	-1.4%
Schedule C	44,073	45,482	-3.1%
<b>Total</b>	<b>\$ 690,611</b>	<b>\$ 601,173</b>	<b>14.9%</b>

# Monthly Charge

Customer Class	COS Customer Charge	Current Average Customer Charge
Schedule A	\$ 12.00	\$ 5.50
Schedule B	26.22	25.00
Schedule C	96.36	100.00

# Summary of Recommendations

## Electric Department

- 3.5% Rate increase in 2018-2020 annually
- Increase Residential Customer Charge annually by \$2
- Continue to move toward Cost of Service

# Questions?