



**Our Waterfront Community**  
**Escanaba**  
*Soak it Up!*

**CITY COUNCIL/ELECTRICAL  
ADVISORY COMMITTEE**

**May 16, 2019 – 3:00 p.m.  
Regular Meeting**

**CITY COUNCIL**

Marc Tall, Mayor  
Ronald Beauchamp, Mayor Pro-Tem  
Peggy O'Connell, Council Member  
Michael Sattem, Council Member  
Ralph Blasier, Council Member

**ADMINISTRATION**

Patrick Jordan, City Manager  
Phil DeMay, City Clerk  
Ralph B.K. Peterson, City Attorney  
Mike Furmanski, Electrical Superintendent

**ELECTRICAL ADVISORY COMMITTEE**

Ann Bissell, Chairperson  
Glendon Brown, Vice Chairperson  
Tim Wilson, Committee Member  
John Anthony, Committee Member  
John Mellinger, Committee Member

**City Council Chambers – 410 Ludington St, Escanaba, MI 49829**

**Meeting Agenda**

**Thursday, May 16, 2019**

CALL TO ORDER

ROLL CALL

APPROVAL/ADJUSTMENTS TO THE AGENDA

CONFLICT OF INTEREST DECLARATION

NEW BUSINESS

**1. Update - Electric Department –General Operations.**

**Explanation:** Electrical Superintendent Mike Furmanski will update the City Council, Electrical Advisory Committee and Citizens of Escanaba on the current departmental activities.

**2. Update – Rate Study**

**Explanation:** Ms Dawn Lund of Utility Financial Solutions will present the results of the Cost of Service and Rates study that was recently performed for the City of Escanaba Electric Department.

**3. Approval – Solar Project Expansion**

**Explanation:** Administration will seek EAC and Council approval to move forward with expanding the Escanaba Solar project that was constructed in 2018.

**4. Approval – Wholesale Power Extensions**

**Explanation:** Administration will seek EAC and Council approval to extend our power purchase agreement with NextEra.

GENERAL PUBLIC COMMENT

COMMISSION/STAFF COMMENT AND ANNOUNCEMENTS

ADJOURNMENT

Agenda - May 16, 2019

The City of Escanaba will provide all necessary, reasonable aids and services, such as signers for the hearing impaired and audiotapes of printed materials being considered at the meeting to individuals with disabilities at the meeting/hearing upon five days notice to the City of Escanaba. Individuals with disabilities requiring auxiliary aids or services should contact the City of Escanaba by writing or calling City Hall at (906) 786-9402.

Respectfully Submitted,

  
Patrick Jordan  
City Manager



# City of Escanaba Electric COS and Financial Projection

April 10, 2019

Dawn Lund  
Vice-President  
Utility Financial Solutions, LLC



# Utility Financial Solutions, LLC

- International consulting firm providing cost of service and financial plans and services to utilities across the country, Canada, Guam and the Caribbean
- Instructors for cost of service and financial planning for APPA, speakers for organizations across the country including AWWA.
- Hometown Connections preferred vendor for cost of service and financial analysis.



# Discussion

- ▶ Financial Projections & Targets
  - Debt Coverage Ratio
  - Minimum Cash
  - Target Operating Income
  
- ▶ Recommended Rate Track
  
- ▶ COS Results
  
- ▶ Recommended Rate Design and Impact

# Projection Without Rate Change

Fiscal Year	Projected Rate Adjustments	Projected Revenues	Projected Expenses	Adjusted Operating Income	Available Projected Cash Balances	Restricted Cash	Capital Improvements*	Bond Issues	Debt Coverage Ratio
FY2019	1.90%	\$ 13,939,607	\$ 13,283,105	\$ 656,503	\$ 11,318,735		\$ 2,400,000	\$ -	n/a
FY2020	0.00%	13,800,211	13,478,246	321,965	10,030,257	-	1,700,000	-	n/a
FY2021	0.0%	13,662,209	13,515,924	146,285	9,604,532	-	700,000	-	n/a
FY2022	0.0%	13,525,587	12,386,060	1,139,527	10,194,796	-	700,000	-	n/a
FY2023	0.0%	13,390,331	12,910,806	479,525	10,153,142	-	700,000	-	n/a
<b>Recommended Target in FY2020</b>				<b>\$ 707,502</b>					<b>1.40</b>
<b>Recommended Target in FY2023</b>				<b>\$ 770,502</b>					<b>1.40</b>
<b>Recommended MINIMUM Target in FY2020</b>					<b>\$ 5,111,351</b>				
<b>Recommended MINIMUM Target in FY2023</b>					<b>\$ 5,008,791</b>				
*Unplanned but potential projects in the next five years not included: AMI; \$1M. Solar generation; \$2M.									

# Minimum Cash Recommendation

	Percent Allocated	Projected FY2019	Projected FY2020	Projected FY2021	Projected FY2022	Projected FY2023
O&M Less Depreciation & P/S Expense	24.7%	\$ 625,255	\$ 644,012	\$ 663,333	\$ 683,233	\$ 703,730
Annual Power Supply Expense	24.7%	2,510,696	2,519,837	2,497,971	2,192,570	2,294,559
Historical Rate Base	2%	656,502	707,502	728,502	749,502	770,502
Electric Portion of Debt Service	100%	-	-	-	-	-
Five Year Capital Improvements - Net of bond proceeds	20%	1,240,000	1,240,000	1,240,000	1,240,000	1,240,000
<b>Recommended Minimum Cash Reserve</b>		<b>\$ 5,032,453</b>	<b>\$ 5,111,351</b>	<b>\$ 5,129,806</b>	<b>\$ 4,865,305</b>	<b>\$ 5,008,791</b>
<b>Projected Cash Reserves</b>		<b>\$ 11,318,735</b>	<b>\$ 10,030,257</b>	<b>\$ 9,604,532</b>	<b>\$ 10,194,796</b>	<b>\$ 10,153,142</b>
Recommended Minimum Days Cash on Hand		138	138	139	143	142

# Target Operating Income

	Percent Allocated	Projected FY2019	Projected FY2020	Projected FY2021	Projected FY2022	Projected FY2023
Interest Expense On Debt allocated to Electric	0.0%	\$ -	\$ -	\$ -	\$ -	\$ -
Inflationary Increase on Asset Investment	8.1%	656,502	707,502	728,502	749,502	770,502
<b>Target Operating Income</b>		<b>\$ 656,502</b>	<b>\$ 707,502</b>	<b>\$ 728,502</b>	<b>\$ 749,502</b>	<b>\$ 770,502</b>
<b>Projected Operating Income</b>		<b>\$ 656,503</b>	<b>\$ 321,965</b>	<b>\$ 146,285</b>	<b>\$ 1,139,527</b>	<b>\$ 479,525</b>
Rate of Return in %		6.3%	6.2%	6.3%	6.5%	6.7%



# Projected Rate Change

Fiscal Year	Projected Rate Adjustments	Projected Revenues	Projected Expenses	Adjusted Operating Income	Available Projected Cash Balances	Restricted Cash	Capital Improvements*	Bond Issues	Debt Coverage Ratio
FY2019	1.90%	\$ 13,939,607	\$ 13,283,105	\$ 656,503	\$ 11,318,735		\$ 2,400,000	\$ -	n/a
FY2020	1.75%	14,038,993	13,478,246	560,747	10,269,039	-	1,700,000	-	n/a
FY2021	0.0%	13,898,603	13,515,924	382,679	10,080,902	-	700,000	-	n/a
FY2022	0.0%	13,759,617	12,386,060	1,373,558	10,907,578	-	700,000	-	n/a
FY2023	0.0%	13,622,021	12,910,806	711,215	11,101,178	-	700,000	-	n/a
<b>Recommended Target in FY2020</b>				<b>\$ 707,502</b>					<b>1.40</b>
<b>Recommended Target in FY2023</b>				<b>\$ 770,502</b>					<b>1.40</b>
<b>Recommended MINIMUM Target in FY2020</b>					<b>\$ 5,111,351</b>				
<b>Recommended MINIMUM Target in FY2023</b>					<b>\$ 5,008,791</b>				
*Unplanned but potential projects in the next five years not included: AMI; \$1M. Solar generation; \$2M.									

# COS Summary

Customer Class	Cost of Service	Projected Revenues	% Change
Residential Intra-City	4,026,069	4,094,668	-2%
Residential Out-City	231,435	226,458	2%
Water Heating Intra-City	24,718	24,897	-1%
Water Heating Out-City	2,185	2,363	-8%
Electric Heat Intra-City	24,799	22,040	13%
Electric Heat Out-City	8,253	6,755	22%
Small Commercial Intra-City Single Phase	1,398,705	1,412,038	-1%
Small Commercial Intra-City Three Phase	2,224,491	2,177,831	2%
Small Commercial Out-City Single Phase	42,107	37,749	12%
Small Commercial Out-City Three Phase	2,992	2,911	3%
Municipal	563,031	519,764	8%
City Street Lighting	207,627	162,016	28%
Dusk to Dawn Lighting	48,922	49,557	-1%
Large Power	4,977,175	4,709,778	6%
<b>Total</b>	<b>13,782,508</b>	<b>13,448,824</b>	<b>2.5%</b>

# COS Rate Summary

Customer Class	COS		
	Customer Charge	Demand	Energy
Residential Intra-City	\$ 18.14	\$ -	\$ 0.0862
Residential Out-City	21.76	-	0.0924
Water Heating Intra-City	4.79	-	0.0868
Water Heating Out-City	4.79	-	0.0870
Electric Heat Intra-City	18.14	-	0.0984
Electric Heat Out-City	21.76	-	0.1001
Small Commercial Intra-City Single Phase	37.40	-	0.0821
Small Commercial Intra-City Three Phase	39.32	-	0.0904
Small Commercial Out-City Single Phase	37.40	-	0.0856
Small Commercial Out-City Three Phase	39.32	-	0.0917
Municipal	37.40	-	0.0976
City Street Lighting	1.53	-	0.1482
Dusk to Dawn Lighting	1.53	-	0.1245
Large Power	181.88	10.24	0.0558

# Recommendations

- ▶ Consider a 1.75% rate for 2020FY using a 2% bandwidth to work closer to COS rates
- ▶ Consider a formally adopted cash reserve policy based on methodology on slide 5
- ▶ Update the projection every year with the budget process
  - Power supply costs projected to drop in 2022

# Rate Design Summary @ 1.75%

## City of Escanaba, MI

2020 Rate Design  
Summary

Min. -0.25%

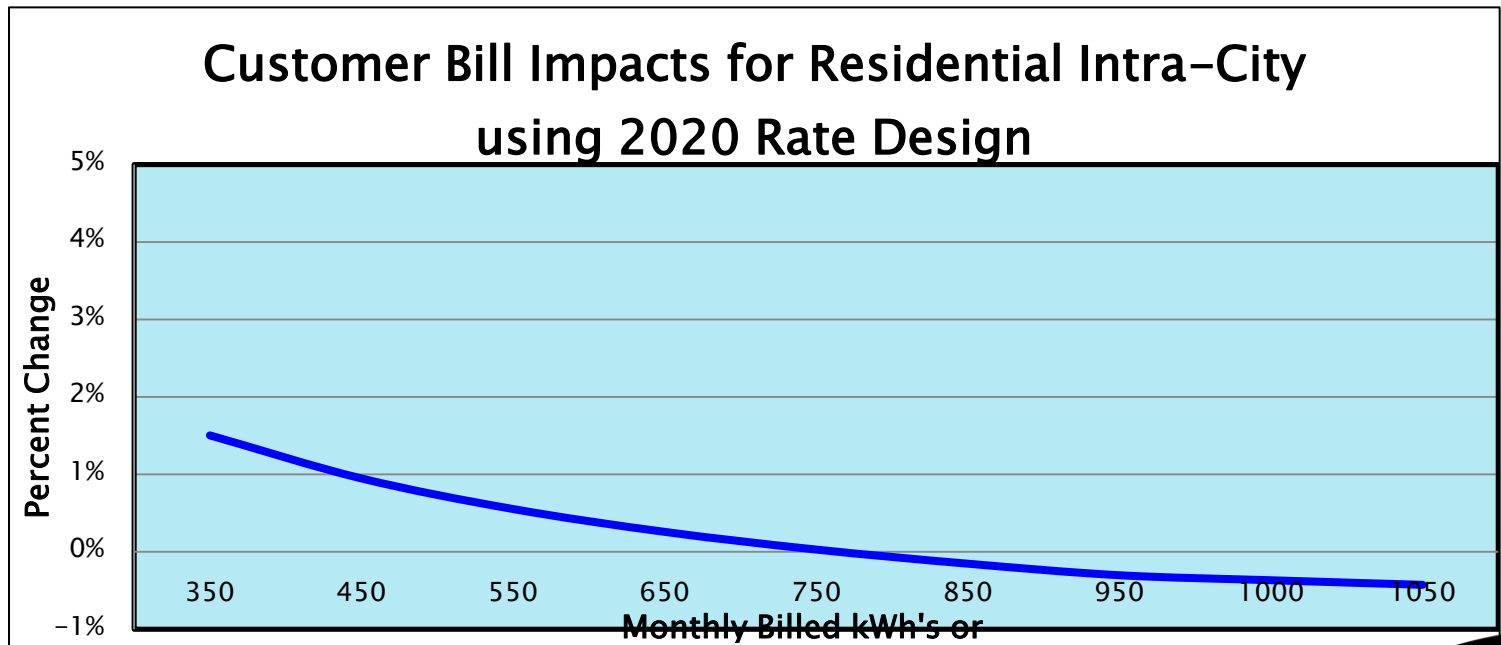
**Target 1.75%**

Max 3.75%

Customer Class	Revenue less Adjustments	Revenue with Adjustments	Dollar Adjustment	Percent Increase	COS Results
Residential Intra-City Res In	\$ 3,699,864	\$ 3,728,712	\$ 28,848	0.8%	-2%
Residential Out-City Res Out	\$ 206,253	\$ 210,189	\$ 3,936	1.9%	2%
Water Heating Intra-City Water Heating In	\$ 23,340	\$ 23,559	\$ 219	0.9%	-1%
Water Heating Out-City Water Heating Out	\$ 2,102	\$ 2,110	\$ 8	0.4%	-8%
Electric Heat Intra-City Electric Heat In	\$ 21,701	\$ 22,403	\$ 702	3.2%	13%
Electric Heat Out-City Electric Heat Out	\$ 6,529	\$ 6,767	\$ 238	3.6%	22%
Small Commercial Intra-City Single Phase GS In Single	\$ 1,236,794	\$ 1,238,902	\$ 2,107	0.2%	-1%
Small Commercial Intra-City Three Phase GS In Three	\$ 2,133,925	\$ 2,178,124	\$ 44,199	2.1%	2%
Small Commercial Out-City Single Phase GS Out Single	\$ 35,652	\$ 36,720	\$ 1,068	3.0%	12%
Small Commercial Out-City Three Phase GS Out Three	\$ 2,735	\$ 2,790	\$ 55	2.0%	3%
Municipal Municipal	\$ 512,395	\$ 526,241	\$ 13,846	2.7%	8%
Large Power LP	\$ 5,018,741	\$ 5,146,385	\$ 127,644	2.5%	6%
City Street Lighting Street Lights	\$ 162,016	\$ 168,092	\$ 6,076	3.8%	28%
Dusk to Dawn Lighting Lighting	\$ 49,557	\$ 49,557	\$ -	0.0%	-1%
<b>TOTAL</b>	<b>\$ 13,111,604</b>	<b>\$ 13,340,550</b>		<b>1.75%</b>	

# Residential Rate Design

Current Rates		2020 Rate Design		Cost of Service Rates	
<b>Monthly Customer Charge:</b>		<b>Monthly Customer Charge:</b>		<b>Monthly Customer Charge:</b>	
Customers #1	\$ 13.40	Customers #1	\$ 14.70	Customer Charge	\$ 18.14
<b>Energy Charge:</b>		<b>Energy Charge:</b>		<b>Energy Charge:</b>	
Winter Block 1 (0 - All kWh)	\$ 0.09570	Winter Block 1 (0 - All kWh)	\$ 0.09400	Energy Charge	\$ 0.08620
Summer Block 1 (0 - All kWh)	\$ 0.09570	Summer Block 1 (0 - All kWh)	\$ 0.09400		
<b>PCA Charge:</b>		<b>PCA Charge:</b>			
PCA Charge (0 - All kWh)	\$ -	PCA Charge (0 - All kWh)	\$ -		
Energy Optimization Plan (- kWh)	\$ 0.00234	Energy Optimization Plan (- kWh)	\$ 0.00234		
<b>Revenues from Current Rates</b>	\$ 3,699,864	<b>Revenues from Proposed Rates</b>	\$ 3,728,712		
<i>Model Proof to Financial Statements</i>		<b>Percentage Change from Current</b>	0.8%		



# Questions?



Dawn Lund  
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Utility Financial Solutions  
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