Customer Rate Strategy Session

PowerU@Grant

April 16, 2024

PowerU@Grant

Rate & Pricing Strategy - Stakeholder Meetings

Agenda:

- Goals
- Core Customers
- Growth
- Loads
- New Generation
- Cost of Service and Rate Making
- Multiple ways to offer feedback

Hybrid meetings
Recorded

April 16th

9:30 – 11:30 am	Ag (Rates 2, 3 & 7)
6:00 – 8:00 pm	General & Large General Service (Rates 2 & 7)

May 21st

8:30 – 10:30 am	Industrial (Rates 14, 15 & 16)
6:00 – 8:00 pm	Residential (Rate 1)

June 4th

6:00 – 8:00 pm	All Rates wrap up

Introduction of Panel & Commissioners

Ty Ehrman, Chief Customer Officer
Cary West, Senior Manager Customer Solutions
John Mertlich, Managing Director Energy Supply Management
Depree Standley, Financial Analyst Rates & Pricing
Julio Aguirre , Program Manager Rates & Pricing

Tom Flint, President
Terry Pyle, Vice President
Larry Schaapman, Secretary
Judy Wilson, Commissioner
Nelson Cox, Commissioner

Rich Wallen, General Manager/CEO

Goals for today

How does Grant PUD go forward with our rates?

- How should we allocate costs?
- How do we address increasing costs?
- How do we leverage rate strategy to benefit customers and communities?

In 20 years, where do we want to be as a community?

- How do we want to grow?
- How do we balance needs of core customers and needs of industry?
- How do we address rising costs from inflation and legislation?

Anchor & Pillars

ANCHOR:

Focus on our core electric customers while still ensuring the success of all our customers

Prioritizing our resources around these **5 strategic pillars**:

1. Ensuring long-term affordable rates for our core electric customers
2. Sustaining our focus on engaged, empowered & enabled employees
3. Committing to accurate & responsive customer service
4. Developing an intentional power demand strategy
5. Caring for our communities through active engagement

Core & Non-core Customers

Core Customers

Non-Core Customers

- Street Lighting
- Commercial EV Fast Charging
- Ag Boiler
- Evolving Industry (Crypto)

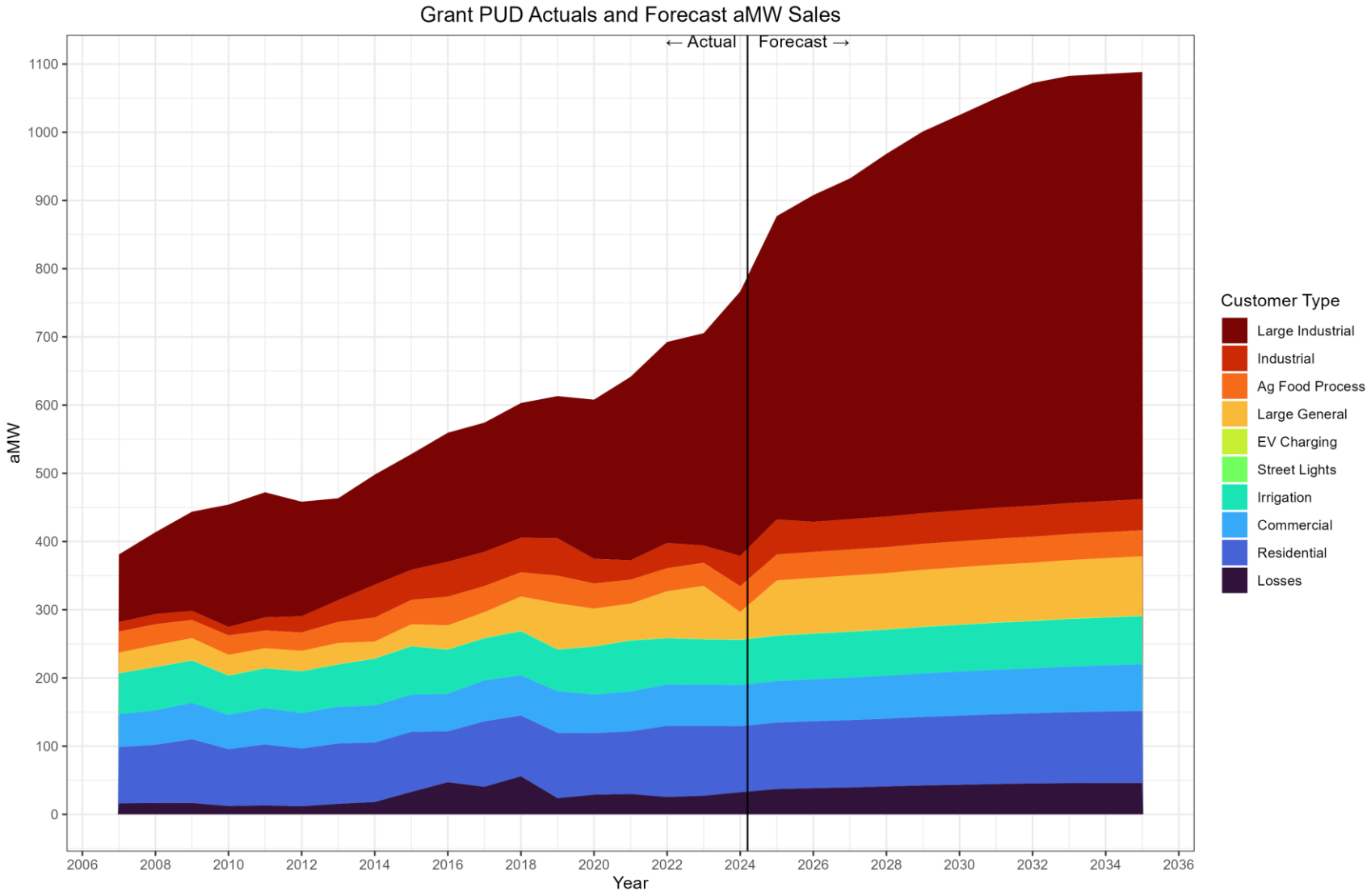
Customer counts, Revenue and Use - 2023

- Residential customer meters = 41,776
- Industrial customer meters = 281
- Commercial customer meters = 7,914
- Irrigation customer meters= 5,041

Rate	Description	Revenue*	% of Rev	kWh	% of kWh
Rate 1	Total Residential	$ 49,861,292.47	18%	895,491,029	15%
Rate 14	Industrial Service	7,908,447.17	3%	252,197,760	4%
Rate 15	Large Industrial Service	124,411,290.81	46%	2,697,333,679	45%
Rate 16	Ag Food Processing	9,416,121.47	3%	297,682,204	5%
Rate 17AC	Evolving Industry Commercial	21,614.13	0%	248,817	0%
Rate 17AR	Evolving Industry Industrial	12,101,783.28	4%	253,862,332	4%
Rate 2	General Service	25,700,424.19	9%	535,486,660	9%
Rate 2/6	Street Lights	1,106,433.71	0%	5,059,444	0%
Rate 3	Irrigation	27,761,684.15	10%	582,268,445	10%
Rate 7	Large General Service	14,127,406.81	5%	429,342,480	7%
		$272,416,498.19	100%	5,948,972,850	100%
*excluding taxes					

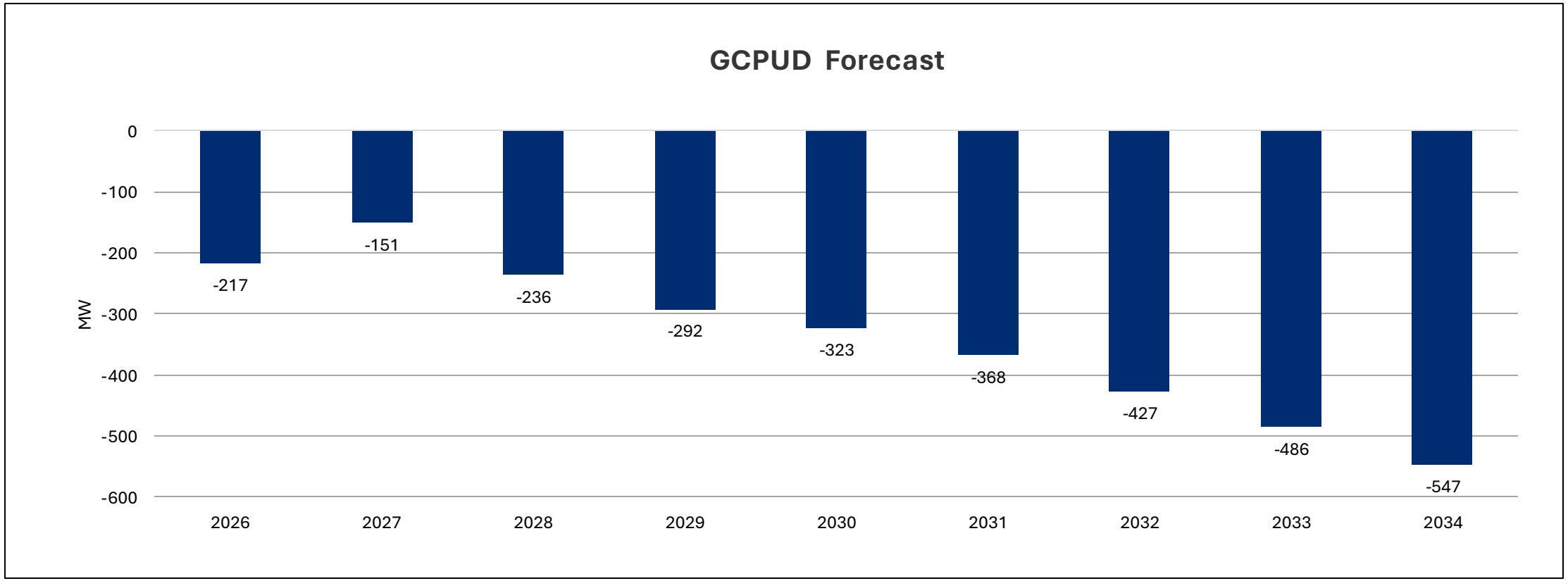
Growth

Grant PUD Retail Load by customer class, 2006 through 2036

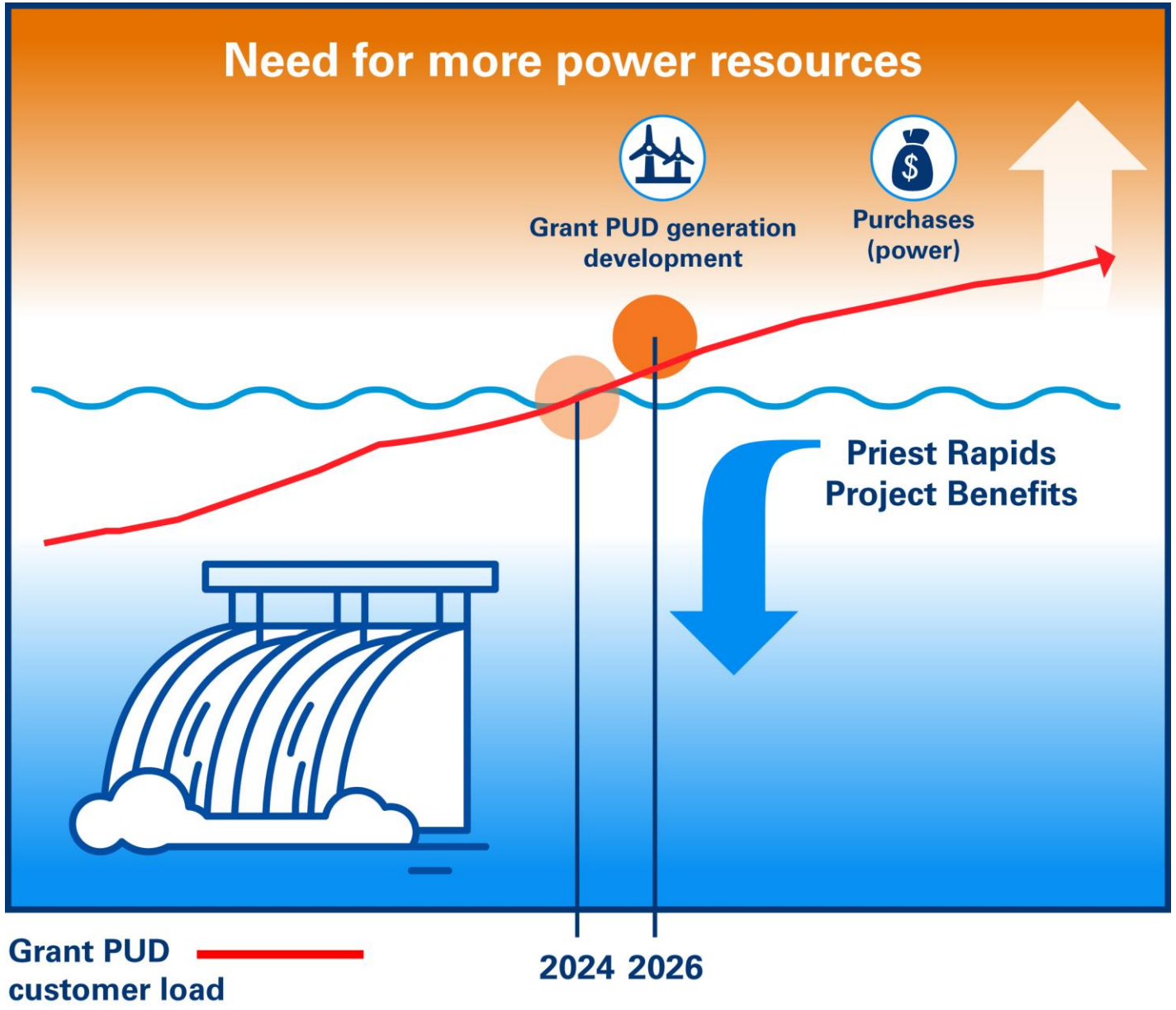


Source: 2023v2 Forecast

Average IRP Capacity Position (MW)



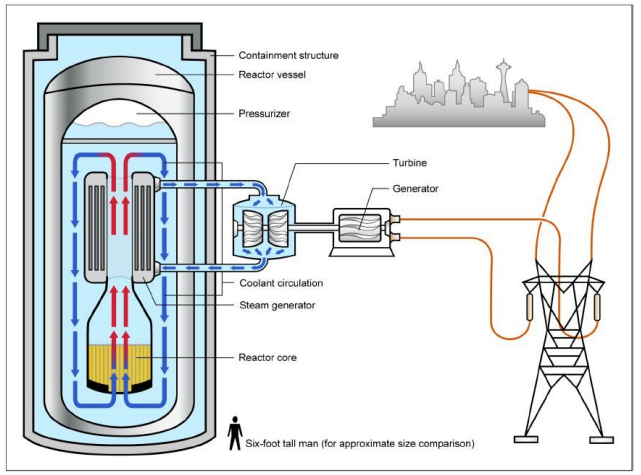
Load Growth Effects – Core Customer Rate Strategy



Carbon-free energy future

Beyond Grant's hydro output

- **More power needed** Grant County homes, businesses and industry will soon require more energy that our dams, alone, can provide.
- **Clean-resource mix** is essential for our future. Carbon-free mandate from the state
- **Base generation** Our energy autonomy will depend on a new source available on demand, 24-7 365, aka "firm" power
- **The right carbon-free mix?** Feasibility/risk analysis is underway into carbon-free energy sources.



Nuclear w/small modular reactors (SMRs)

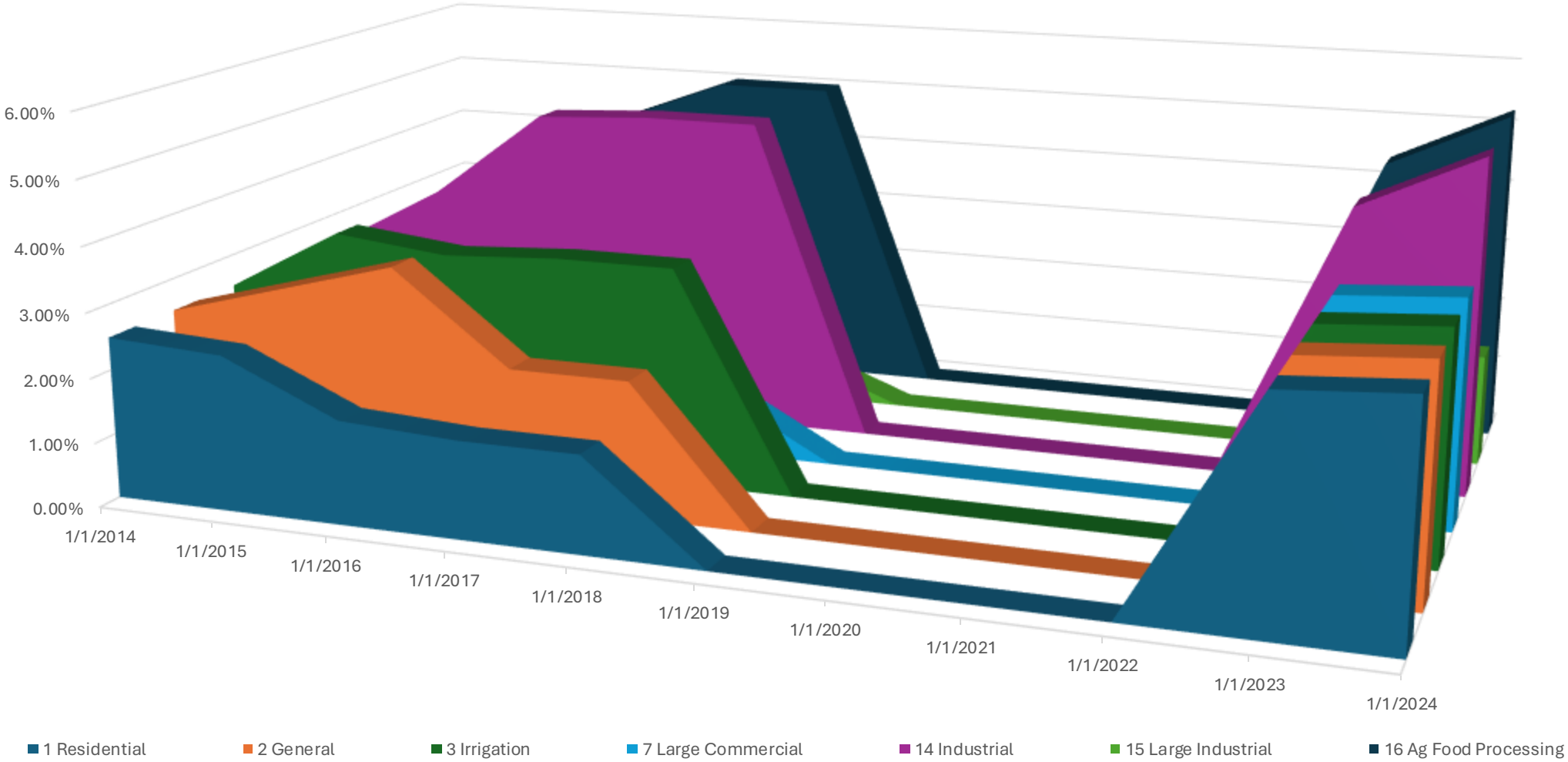
Hydrogen

Hydropower

Wind

Solar

Rate increases 2014 to 2024



Cost of Service 101

A tool that is used by a public utility to ensure that the rates they charge their customers match the cost to provide service to those customers

1. Grant PUD figures out its current Cost of Service using methods that the industry accepts, like those approved by FERC.
2. Grant PUD's Cost of Service is based on actual costs and how much electricity people really used during a defined period. Last analysis was done for calendar year 2021.
3. Grant PUD collects its costs over time, particularly for large capital projects, including the costs to borrow money for those projects. This allows us to make sure the rates we use stay steady and are easier to predict.

Cost of Service 201

Grant PUD's Rate Making Guiding Principles

Current Rate Making Policy

Existing Resolution set the following principles and main objectives:

Goal #1: Gradual Movement Toward Commission Targets

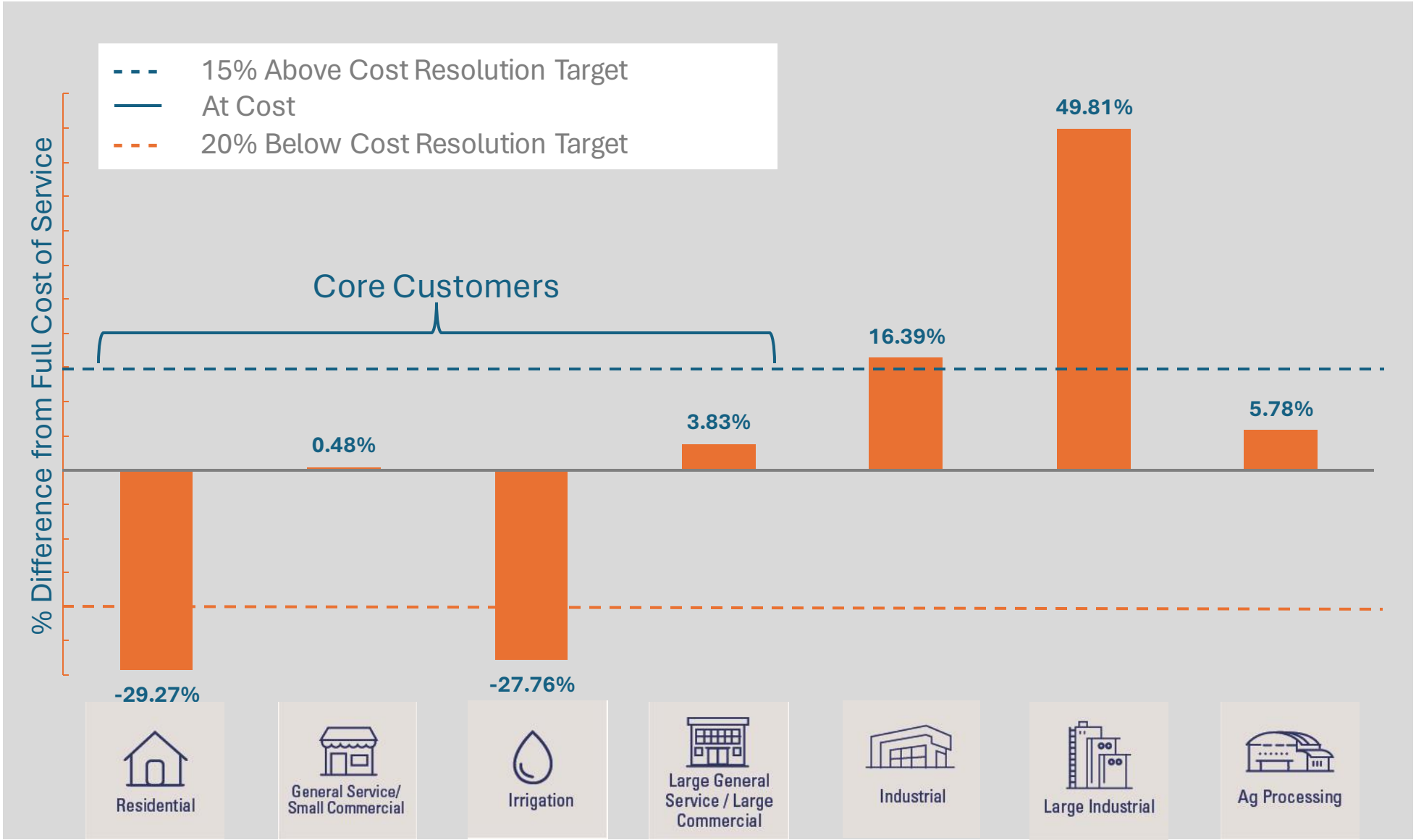
Goal #2: Stable and Predictable Rate Increases to avoid Rate Shock

Goal #3: Define Core Customers and Preferential Access

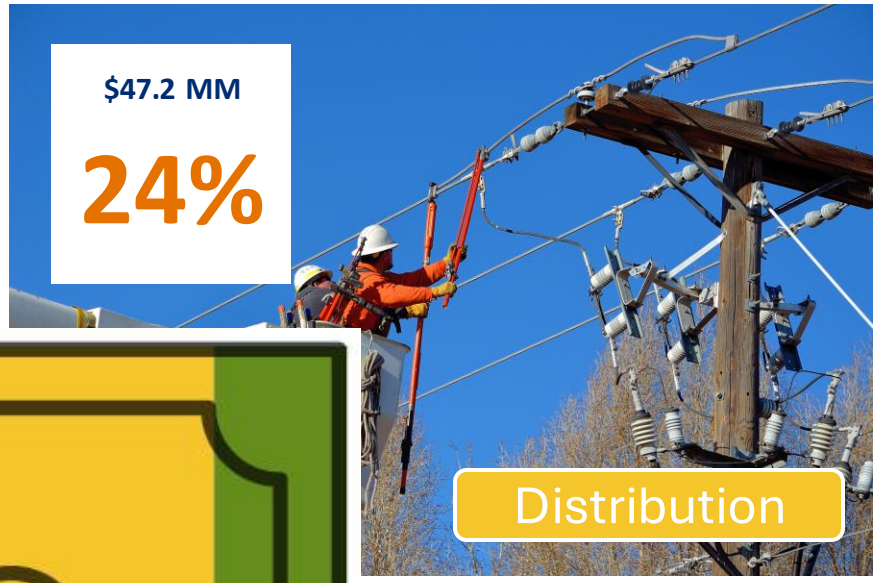
Goal #4: Other Compliance and Commission Directives

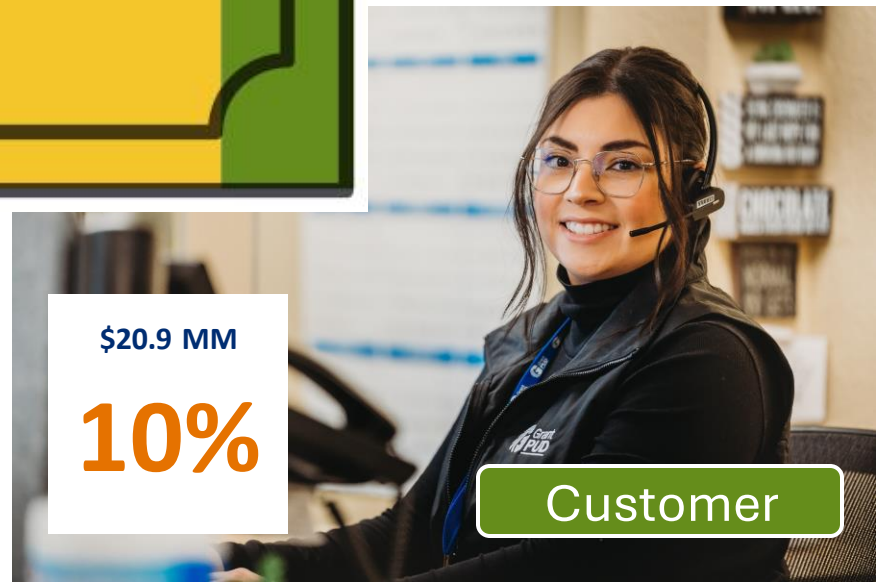
Rate Classes

Cost of Service vs Actual Rate (Apr 2024)

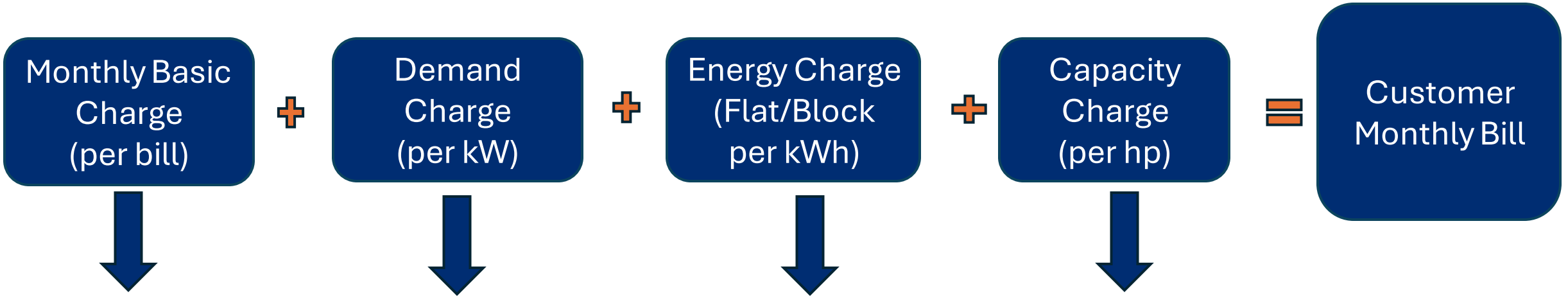


Where does your power bill go?





Where costs show up on your bill



Customer related fixed costs such as: call center, CSRs, business support, etc

Capacity/demand related costs such as: transmission lines and O&M, substations expenses, distribution lines and a portion of generation expenses (i.e., capacity related)

Capacity/demand related costs not collected in the demand charge and other variable energy costs (e.g., renewable energy purchases)

For irrigation only, based on horsepower of pump

Questions?

Feedback?

Scan qr-code

Thank you!

Additional information

Approved 2024 Rate Increases

Effective April 1, 2024

Alternative 3 **Proposed Increase** **3.00%**

Rate Class	Baseline (Current) Revenue Requirement (2021)	Proposed Revenue	$ Revenue Increase	Current Ave. Monthly $ Bill/Revenue per Customer	Proposed Ave. Monthly $ Bill/Revenue Increase	Proposed Ave. Monthly $ Bill/Revenue per Customer	*% Revenue Increase*	X times system ave. increase
Residential (Sch. 1)	$ 46,519,150	$ 48,163,507	$ 1,644,357	$ 98.18	$ 3.47	$ 101.65	***3.53%***	1.18
General Service (Sch. 2)	$ 25,072,467	$ 25,958,727	$ 886,260	$ 289.39	$ 10.23	$ 299.62	***3.53%***	1.18
Irrigation (Sch. 3)	$ 31,671,730	$ 32,791,261	$ 1,119,531	$ 535.36	$ 18.92	$ 554.28	***3.53%***	1.18
Street Lights (Sch. 6)	$ 1,078,249	$ 1,116,363	$ 38,114	N/A	N/A	N/A	***3.53%***	1.18
Large General Service (Sch. 7)	$ 11,242,020	$ 11,639,402	$ 397,382	$ 5,677.79	$ 200.70	$ 5,878.49	***3.53%***	1.18
Industrial (Sch. 14)	$ 7,569,399	$ 7,966,792	$ 397,393	$ 70,087.03	$ 3,679.57	$ 73,766.60	***5.25%***	1.75
Large Industrial (Sch. 15)	$ 88,686,821	$ 90,229,971	$ 1,543,151	$ 1,055,795.49	$ 18,370.84	$ 1,074,166.33	***1.74%***	0.58
Agricultural Processing (Sch. 16)	$ 9,483,077	$ 9,980,938	$ 497,862	$ 79,025.64	$ 4,148.85	$ 83,174.49	***5.25%***	1.75
Evolving Industry (Sch. 17)	$ 5,124,213	$ 5,393,234	$ 269,021	$ 13,774.76	$ 723.18	$ 14,497.94	***5.25%***	1.75
Agricultural Boiler (Sch. 85)	$ 15,221	$ 16,020	$ 799	$ 1,268.38	$ 66.59	$ 1,334.97	***5.25%***	1.75
Total Retail	$ 226,462,346	$ 233,256,216	$ 6,793,870				***3.00%***	1.00

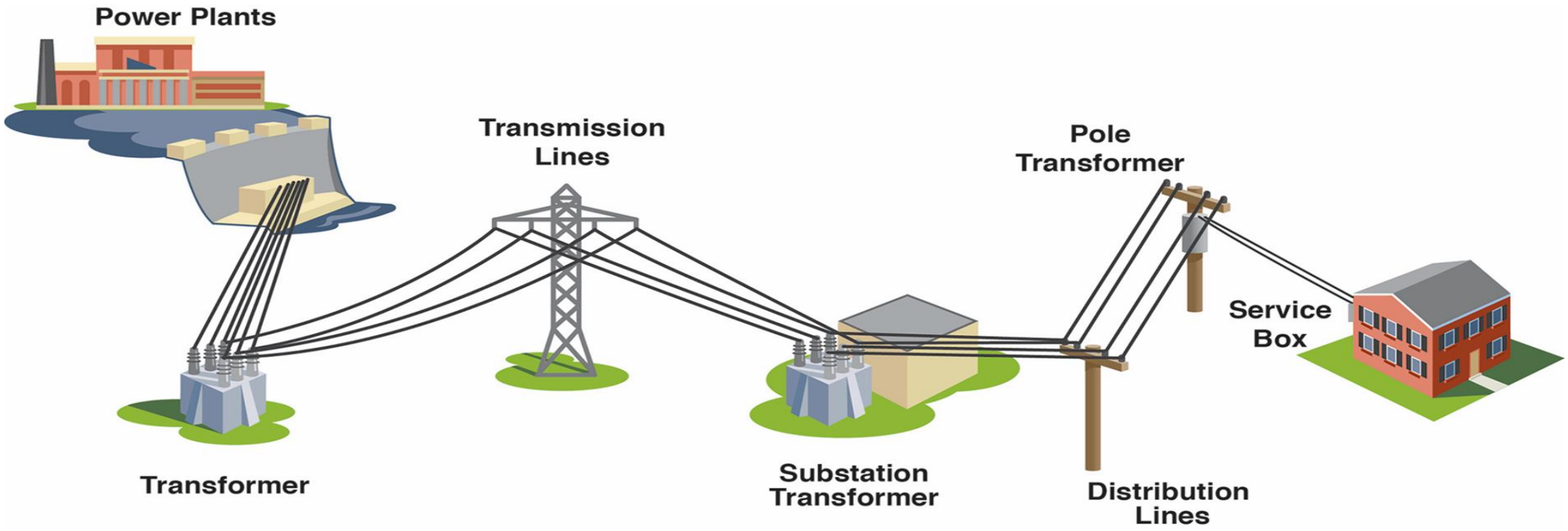
Rates 2014-2024

Schedule	Description	1/1/2014	1/1/2015	1/1/2016	4/1/2017	4/1/2018	4/1/2019	4/1/2020	4/1/2021	4/1/2022	4/1/2023	4/1/2024
1	Residential	2.50%	2.40%	1.60%	1.50%	1.50%	0.0%	0.0%	0.0%	0.0%	3.40%	3.53%
2	General	2.50%	3.00%	3.50%	2.10%	2.10%	0.0%	0.0%	0.0%	0.0%	3.40%	3.53%
3	Irrigation	2.50%	3.50%	3.30%	3.40%	3.40%	0.0%	0.0%	0.0%	0.0%	3.40%	3.53%
7	Large Commercial	2.50%	2.00%	1.80%	1.00%	1.00%	0.0%	0.0%	0.0%	0.0%	3.40%	3.53%
14	Industrial	2.50%	3.50%	4.90%	5.00%	5.00%	0.0%	0.0%	0.0%	0.0%	4.35%	5.25%
15	Large Industrial	1.00%	0.50%	0.50%	0.70%	0.70%	0.0%	0.0%	0.0%	0.0%	1.75%	1.74%
16	Ag Food Processing	2.50%	2.50%	4.30%	5.00%	5.00%	0.0%	0.0%	0.0%	0.0%	4.35%	5.25%

Intro to Cost of Service

Development of the COSS

Demand/Energy | Demand | Demand/Customer | Customer



Generation → Transmission → Distribution → Customer

Intro to Cost of Service

Grant PUD Current Retail Rate Schedules

Rate Schedule	Basic Charge	Flat Energy Charge	Block Energy Charge	Demand Charge	Power Factor Adj.	Rider
1. Residential Service	√	√				
2/2F. General Service	√		√			
3. Irrigation Service	√	√		√*		
6. Street Lighting Service	√					
7. Large General Service	√		√	√	√	
13. Alternative Energy			√			√
13 REC. Renewable Energy			√			√
13SS. Specified Source Purchase			√			√
14. Industrial Service	√		√	√	√	
15. Large Industrial Service	√		√	√	√	
16. Ag. Food Processing Service	√		√	√	√	
17. Evolving Industry	√	√		√	√	
19. Commercial Fast Charging EV	√	√		√	√	
85. Ag. Food Processing Boiler	√		√	√	√	
94. New Large Load		√				√

Current Rate Making Policy (Resolution No. 9039)

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 2 of Grant County, Washington that Grant PUD's staff is hereby directed to prepare and present draft retail rate schedules for the Commission's consideration in accordance with the following principles and objectives:

Section 1. Rate schedules shall comply with all applicable laws and regulations.

Section 2. Rate schedules shall be straightforward and understandable by customers and staff.

Section 3. Combined total of all rate schedules shall capture all electric retail costs borne by Grant PUD.

Section 4. Grant PUD shall forecast its revenue requirements in advance and it shall plan to implement rate level changes in small, predictable increases.

Section 5. Rate schedules shall provide for Core Customer preferential access to the low cost embedded power supply resources in place as of the year 2013. Core Customers shall be defined as Residential, General Service (Small Commercial), Irrigation and Large General Service (Large Commercial) customers. Additionally, all customers' first 7,300,000 monthly kwh consumption (10 MW x 1,000 x 8,760/12) will be treated likewise; being considered as preferential access. Preferential access shall provide for "first in line" access to Priest Rapids Project power supply.

Section 6. Changes in rate schedules should be designed to limit impact to customers due to substantial structure change, aka "rate shock". Rate class specific limits set at not less than 0.25x the average total Revenue Requirement level increase and not more than 2.50x the average total Revenue Requirement level increase on an annual increase basis. In a year that no general retail rate increase is put into effect, no increase will be applied to any schedule.

Section 7. Rate class Revenue Requirement shall be guided by cost-of-service analysis.

Section 8. Rate schedules shall be set by Commission directive and may take into consideration cost to serve as well as other factors. Commission has discretionary authority in setting rate components and meeting overall revenue requirements.

Section 9. By December 31, 2024, the rate schedules may be designed such that the differential between the estimated "cost to serve" and the "expected class revenue recovery" for each Rate Class may not exceed +15%/- 20.0%. Annually the long-term plan will be evaluated and, if appropriate, updated to stay on course to meet established targets / policy.

Section 10. Rate targets as established in Section 9 above shall be solved to allow the greatest economic benefit to the core customers as defined in Section 5 above and to first allocate the largest negative revenue to cost differential to those classes that represent the largest population of the rate base. Residential and Irrigation schedules shall receive the largest revenue-cost benefit at -20%. General Service (Small Commercial) and Large General Service (Large Commercial) shall be allocated any remaining economic benefit.

Section 11. Grant PUD shall explore alternative revenue recovery options such as rate contracts when potential for District benefit may exist.

Section 12. A separate rate design protocol document will be developed and serve as guidance on inter-class design goals and criteria.

PASSED AND APPROVED by the Commission of Public Utility District No. 2 of Grant County, Washington, this 12th day of December, 2023.