High Density Load Rate
Public Rate Hearing

February 1, 2016

Today's Purpose

- Today is a formal rate hearing per resolution (80-6286)

- This hearing follows three public information meetings held; Jan. 4, Jan. 5 and Jan. 12

- The Board will hear information from staff and take public comment

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Today's Agenda

- Brief summary of Board's direction and staff actions

- Provide a summary of feedback to date

- Present information responding to Board requested review of 6 themes from the public information meetings

- Public comment

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Summary of Board Direction

- Rate design for High Density Load (HDL) service should incorporate methodologies that mitigate risks to the District's finances and seek to avoid shifting cost impacts of this class to other rate classes

- Rate design should incorporate methodologies that avoid restrictions to existing strategic plans as a result of HDL service

Staff Proposed Rate Class

High Density Load

This schedule applies to server farms and similar technological operations. An entity otherwise subject to this rate schedule will be excluded from this schedule if the entity demonstrates to the District's reasonable satisfaction, or the District determines on its own initiative, that the EUI of the subject facility is less than 250 kWh/ft^2/year.

Staff Proposed Rate Class Definitions

- "Energy Use Intensity" or "EUI" means the annual kilowatt-hours of Energy usage divided by the operating space square footage used by the Energy consuming activity as determined by the District.

- "Server farm" means an entity whose Energy use at the Point of Delivery serves mostly one or more computer server machines and any ancillary loads including HVAC, UPS, power systems, and lighting.

- The methodology for calculating EUI will be determined by the District. In developing and applying the methodology, the District may make reasonable assumptions and projections as necessary to estimate Energy usage and square footage based on the Customer's application, data regarding similar operations, and other sources.

- Applies to loads 5 aMW or less

Initial Staff Proposed HDL Rate: 5.036¢/KWh
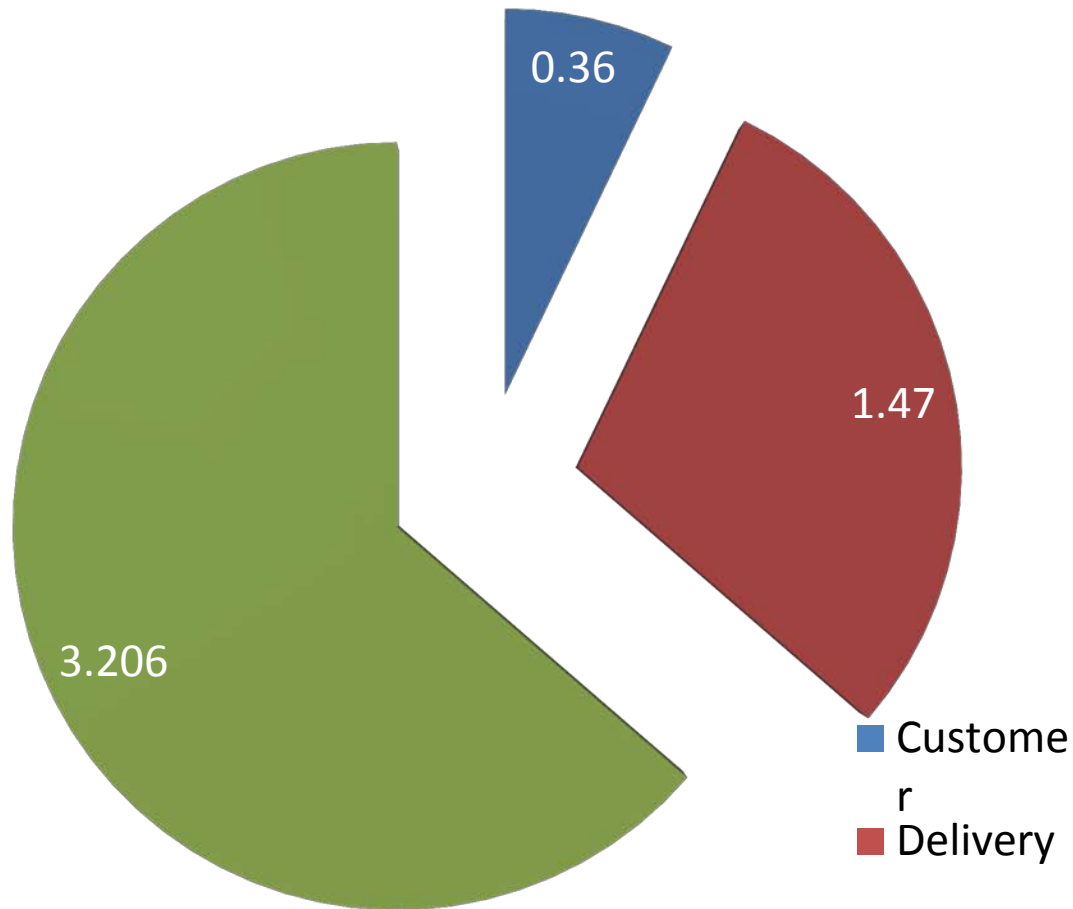
Customer/Stakeholder Feedback

- In addition to informational meeting feedback, we've received: voice messages, letters, emails, in-person contacts, media reports and social media comments

- There is opposition and support for the staff rate recommendation as presented

- Comments posted www.chelanpud.org
    - Search "HDL" or "HDL News"

Board Requested Follow up

❑ Grandfather rate for existing HDL Customers

❑ Allocate Energy limits to HDL rate class

❑ Develop a focus group to discuss future of rate

❑ Consider rate implementation alternatives

❑ Consider increased upfront cost recovery

❑ Consider a change in rate structure alternatives

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Grandfather existing HDL Customers

The Board Request:

Evaluate grandfathering rate for existing customers

Staff actions:

An evaluation by District staff has been completed

Conclusion:

The results of the analysis indicate substantial barriers to this option

Allocate Energy limits to HDL rate class

The Board Request:

Evaluate a set amount of Energy each year to this class in lieu of proposed HDL rate action

Staff Actions:

Staff has reviewed issues associated with allocating Energy to a rate class

Conclusion:

The results of the analysis indicate substantial barriers to this option

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Develop a Focus Group

The Board Request:

Facilitate a public forum hosting HDL Customer presentations

Staff Actions:

District staff have scheduled a forum for the public and HDL Customers

Conclusion:

The meeting information is:

Date:	**February 3, 2016**
Location:	**Community Technology Center (CTC)**
	285 Technology Center Way
Time:	**5:30 – 7:30 PM**

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Consider rate implementation alternatives

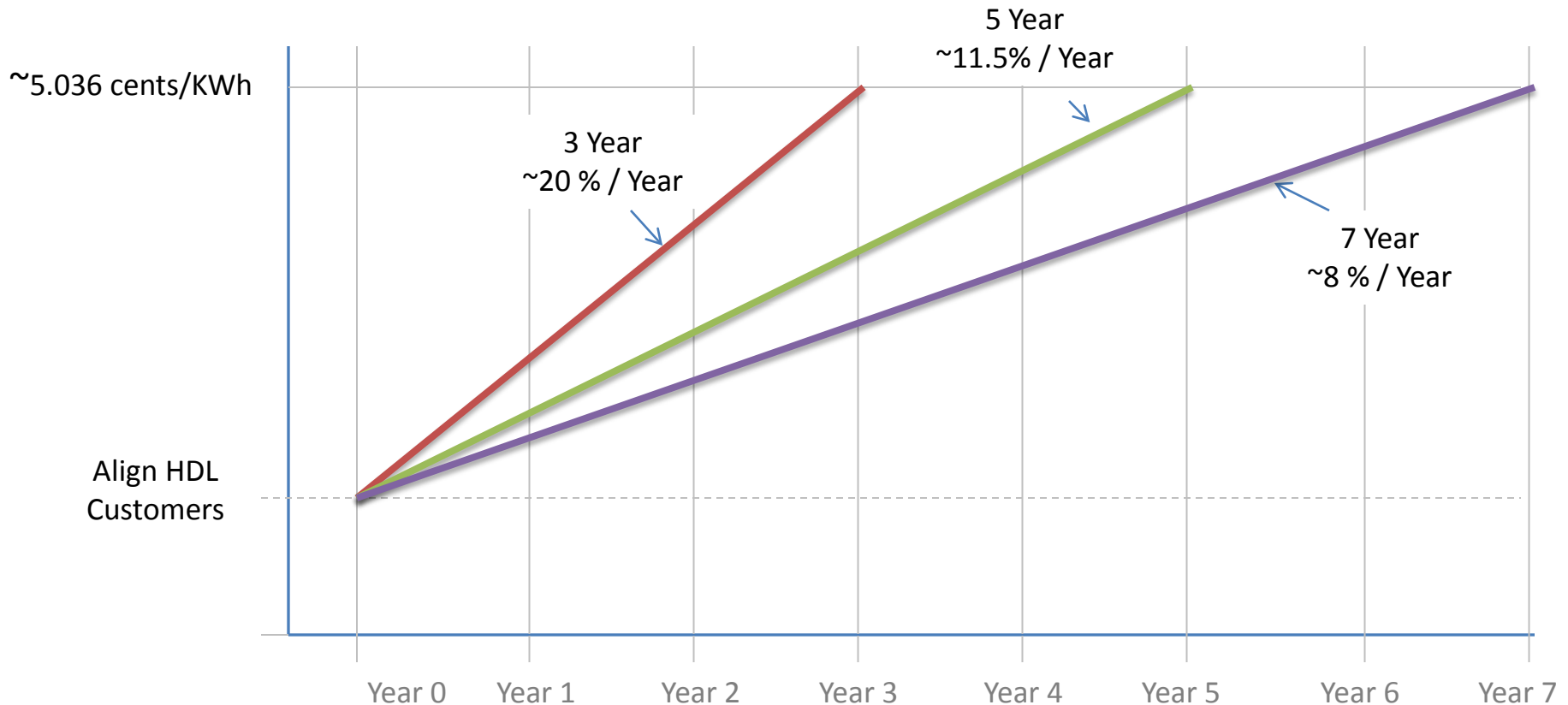## The Board Request:

Evaluate alternative methods to implementation

Staff Actions:

Staff has evaluated alternatives for rate implementation, such as a phased-in approach

Conclusion:

Options included in presentation

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Example rate implementation alternatives using initial staff proposal

Consider increased upfront cost recovery

The Board Request:

Evaluate upfront charges as part of a proposed rate

Staff Actions:

Staff has evaluated the possibility of recovering additional upfront costs (i.e. upfront costs related to the primary electric system, commonly called system impact fees) in combination with existing application and line extension charges

Conclusion:

Staff believes that there are options that could mitigate some system impact through upfront charges

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Consider rate structure alternatives

The Board Request:

Consider alternatives to the proposed rate structure in alignment with Board direction

Staff Actions:

Within the bounds of the District's communicated values and guidance for rate making, District staff have evaluated potential options for the Board's consideration

Conclusion:

Options included in presentation

Rate Component alternatives (cents/KWh)

Energy Component

Market Cost	~ 3.21*
Production Cost	~ 2.74**
Current Energy Blended Rate	~ 2.06

+

Delivery Component

Full Cost	~ 1.47 **
Current Delivery Blended Rate	~ 0.56 + upfront cost

+

Customer Component

Full Cost	~ 0.36 **
Current Customer Blended Rate	~ 0.22

Note: Each Customer's effective rate will vary based on load profile

Currently declining – to be based on new slice data
*** 5 year average*

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Rate Options Meeting Board Guidance of Achieving Economic/Rate Neutrality for Existing Customers

1. _Full Value Recovery for District - Initial staff proposal_: _(Mitigate risk of revenue loss to District)_

    - Market cost for Energy (with a floor at production cost) + full recovery for customer & delivery costs
    - ~5.036 cents/KWh*

2. _Cost Recovery Over Time_: _(Mitigate risk of increased rate pressure for existing customer classes)_

    a) No sharing of market benefit/risk - District holds market risk: Production cost for Energy + full recovery for customer & delivery costs

    - ~4.57 cents/KWh + upfront cost

    b) Sharing of market benefit/risk - Customer holds market risk: Higher of production cost or market cost for Energy + current customer & delivery blended rate

    - ~3.99 cents/KWh* + upfront cost
    - Supply component to be adjusted periodically (not more frequently than annual)
    - To be paired with Contract

* Rate will be variable based on market – currently based on an Energy charge of 3.2 cents/KWh

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Characteristics: Initial Proposal

Energy
- Recovering market value for Energy mitigates against the loss of value compared to selling into market, while assuring recovery will not fall below cost of production

Delivery & Customer
- Full recovery for delivery & customer costs

Impact
- Full value recovery for District
- No rate support from wholesale revenue for HDL customers
- HDL customer holds risk of market prices escalating over time
- Propose periodic review

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Characteristics: District Holds Market Risk

Energy
- Full District production cost

Delivery & Customer
- Full recovery for delivery & customer costs
- HDL customers pay upfront for incremental cost of load growth on the primary electric system

Impact
- *District holds risk of future revenue loss depending on market -* District would lose value when market prices are higher than production cost

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Characteristics: Customer Holds Market Risk

Energy
- Higher of market value or production costs mitigates against loss of wholesale revenue to support HDL delivery rates over time

Delivery & Customer
- Current average retail rates providing HDL customers the same wholesale revenue support for delivery and customer costs as other District customers
- HDL customers pay upfront for incremental cost of load growth on the primary electric system

Impact
- *HDL customer holds risk of market prices escalating over time -* Propose annual review to align with current market value
- Over past 5 years this rate would have varied from 3.99 to 4.81 cents /KWh

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Rate Design

- Typical rate design includes:
  - Flat rate customer charge ($/meter)
  - Demand based delivery charge ($/KW)
  - Usage based energy charge ($/KWh)
- The average per KWh figures in the presented options would be designed per the above so each customer may see a different resulting KWh average based on usage and load profile

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Comments/Questions?

Public Comment Period

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