

# Rate 35 to Rate 36 Transition

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Lindsey Mohns –Business Manager



# Why we are here

- Consideration of options in response to customers' request for a transition plan from Rate Schedule 35 (High Density Load) to Schedule 36 (Cryptocurrency)
- Board direction requested

# Background

- July 2016: Adopted Rate 35, High Density Load, effective Jan. 1, 2017
- Dec 2016: Five-year transition contracts established for customers in service prior to Dec 15, 2014 who had made significant business investment
- Dec 2018: Adopted Rate 36, Cryptocurrency, effective April 1, 2019
- Jan 2022: Transition contracts complete Dec. 31, 2021, customers transferred to the applicable rate schedule (Rate 36)

# Rate 35 vs. Rate 36

As of 6/1/2022	Rate Schedule 35	Rate Schedule 36
<b>Basic Charge</b>	\$145-\$940 per month depending on load size	
<b>Demand Charge</b>	\$6.00 per kW	
<b>Energy Charge</b>	\$0.0295/kWh	\$0.0789/kWh (annually market adjusted)
<b>Approximate Effective Rate</b>	\$0.0385	\$0.0880

**Basic Charge:** Based on the costs associated with being a customer, such as billing, collections, metering, and service; billed at a flat monthly amount

**Demand Charge:** Based on costs associated with the transmission and distribution delivery system; billed on the highest 15-min average usage or “demand”

**Energy Charge:** Based on cost to acquire power; billed on the amount of power consumed

**Effective Rate:** Approximate total of all billed charges divided by kWh consumed; may vary by customer due to usage patterns

# Customer Request

- Customers transitioning from Rate 35 to Rate 36 at the completion of the five-year transition contracts have requested relief from the larger than expected change in rate

# Transition Options

- Primary options are to make no change and continue with Rate 36 per the contract or, transition previously contracted customers from Rate 35 to 36 over a 1-to 3-year period
  - Optional transition energy charge adjustment each year:
    - 3-year transition
      - Option 1a: Year 1 Rate 35 (HDL), then 1/3 step to Rate 36 (Cryptocurrency) each subsequent year
      - Option 1b: 1/4 transition to Rate 36 each year
    - 2-year transition
      - Option 2a: Year 1 Rate 35 then 1/2 step to Rate 36 year 2
      - Option 2b: 1/3 transition to Rate 36 each year
    - 1-year transition
      - Option 3a: Year 1 Rate 35 then Rate 36 next year
      - Option 3b: 1/2 transition to Rate 36 each year

# Transition Options (cont.)

- Resulting approximate average effective rates, all rate elements/customer profiles combined

\$/kWh (rates as of 6/1)	2022	2023*	2024*	2025*
Sch 35 - HDL (Customer requested)	\$ 0.0385	\$ 0.0397	\$ 0.0408	\$ 0.0408
Sch 36 - Crypto ("No Change" option)	\$ 0.0880	\$ 0.0881	\$ 0.0886	\$ 0.0886
Transition Option 1a	\$ 0.0385	\$ 0.0558	\$ 0.0727	\$ 0.0886
Transition Option 1b	\$ 0.0510	\$ 0.0640	\$ 0.0766	\$ 0.0886
Transition Option 2a	\$ 0.0385	\$ 0.0640	\$ 0.0886	\$ 0.0886
Transition Option 2b	\$ 0.0549	\$ 0.0722	\$ 0.0886	\$ 0.0886
Transition Option 3a	\$ 0.0385	\$ 0.0881	\$ 0.0886	\$ 0.0886
Transition Option 3b	\$ 0.0632	\$ 0.0881	\$ 0.0886	\$ 0.0886

\*assumes 2022 market rates through 2025

US National Average (Dec. 2021) Commercial \$0.1120/kWh, Industrial \$0.0716

WA State Average (Dec. 2021) Commercial \$0.0938/kWh, Industrial \$0.0570

# Transition Options (cont.)

- Annual adjustments (including market adjustment) assumed to occur June 1 with other existing rate plans
- Results in the following approximate calendar year revenue/budget impacts (total for all customers previously on transition contracts, ~7.5 aMW)

Estimated District Revenue Impact (Calendar Year)	2022	2023*	2024*	2025*	3-yr Impact (6/1/22-5/31/25)
Transition Option 1a	\$ (1,630,000)	\$ (2,695,000)	\$ (1,590,000)	\$ (525,000)	\$ (6,440,000)
Transition Option 1b	\$ (1,220,000)	\$ (2,015,000)	\$ (1,190,000)	\$ (395,000)	\$ (4,820,000)
Transition Option 2a	\$ (1,630,000)	\$ (2,425,000)	\$ (795,000)	\$ -	\$ (4,850,000)
Transition Option 2b	\$ (1,090,000)	\$ (1,615,000)	\$ (525,000)	\$ -	\$ (3,230,000)
Transition Option 3a	\$ (1,630,000)	\$ (1,630,000)	\$ -	\$ -	\$ (3,260,000)
Transition Option 3b	\$ (815,000)	\$ (815,000)	\$ -	\$ -	\$ (1,630,000)



# Immediate Relief Options

- Option to defer increase in market energy rate (for all Rate 36 customers) from April 1 to June 1 (requires motion 3/21 and ratifying resolution 4/4)
  - Current Rate Adjustment Forthcoming
    - 4/1/21-3/31/22 energy rate: \$0.0564/kWh to
    - 4/1/22-3/31/23 energy rate: \$0.0789/kWh
- Option to provide service at Rate 35 from contract signing date (if Board desires transition contracts) until first change on 6/1, approx. \$(270,000) revenue impact per month

# Next Steps

- Continuing to bill customers under the current applicable rate schedules
- Board feedback and direction requested
- Additional outreach to Rate 36 customers, if market adjustment deferred
- Draft contracts, if applicable
- Future customer billings following Board direction