



# Electric Rate Ordinance Adjustments

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**Bill Shepherd**

**Executive Manager Business Svcs – DME**

**March 19, 2024**

**ID 24-463**



# Rate Changes Effective April 1, 2024

- Energy Cost Adjustment (ECA)
  - Recovery of pass-through purchase power costs
  - Currently \$0.0341/kWh
  - Proposed \$0.0447/kWh
  - \$10.60 per month bill impact (1000 kWh Average Residence)
- Transmission Cost Recovery Factor (TCRF)
  - Recovery of pass-through transmission costs
  - Currently \$0.0000 (Suspended since October 2018)
  - Proposed \$0.0135/kWh
  - \$13.50 per month bill impact (1000 kWh Average Residence)

# FY 2024 Updated Financial Forecast

Electric Fund	FY 2023 Actuals	FY 2024 Mid Year Rate	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected
<b>Beginning Fund Balance</b>	\$ 140,776,983	\$ 109,519,605	\$ 106,871,992	\$ 99,367,812	\$ 105,195,234	\$ 113,435,618	\$ 126,792,304	\$ 144,968,878
<b>Resources</b>								
Base Rate Revenues	\$ 102,759,906	\$ 114,451,936	\$ 129,836,170	\$ 139,153,229	\$ 148,591,116	\$ 159,348,083	\$ 169,208,387	\$ 171,548,379
TCRF Revenue	-	13,440,776	27,284,774	27,694,046	28,109,457	28,531,098	28,959,065	29,393,451
ECA Revenues	56,433,028	70,587,958	89,343,995	96,503,005	101,867,540	102,940,551	105,081,415	107,151,598
Non-Rate Revenues	174,832,684	152,171,263	129,823,540	135,058,010	130,880,834	127,117,856	130,328,117	130,348,605
<b>Total Revenues</b>	334,025,618	350,651,932	376,288,479	398,408,289	409,448,947	417,937,589	433,576,985	438,442,034
Use of Reserves	31,257,378	2,647,613	7,504,180	-	-	-	-	-
<b>Total Resources</b>	\$ 365,282,996	\$ 353,299,545	\$ 383,792,659	\$ 398,408,289	\$ 409,448,947	\$ 417,937,589	\$ 433,576,985	\$ 438,442,034
<b>Expenditures</b>								
Purchase Power	195,131,009	189,489,875	177,152,566	184,172,623	185,346,585	182,882,348	188,429,812	189,866,874
Transmission of Power	23,826,397	26,881,551	27,284,774	27,694,046	28,109,457	28,531,098	28,959,065	29,393,451
Personnel	20,533,872	26,090,466	26,873,180	27,679,375	28,509,757	29,365,049	30,246,001	31,153,381
O&M	14,664,977	23,969,028	22,533,550	22,943,761	23,362,176	23,788,959	24,264,739	24,750,033
Cost of Service Transfers	15,357,250	19,943,469	20,541,774	21,158,027	21,792,768	22,446,551	23,119,947	23,813,546
ROI & Franchise Fees	27,713,608	29,320,316	34,206,182	36,458,008	38,043,540	39,223,851	40,658,960	41,209,234
NON DEC Debt Service	45,122,651	47,185,218	48,055,725	46,371,247	48,911,603	52,200,449	54,578,720	54,649,621
DEC Debt	17,308,336	18,077,000	18,077,125	18,073,500	18,075,875	18,077,375	18,075,750	18,074,625
Revenue Funded Capital	5,624,896	3,600,000	2,002,000	961,000	1,987,000	995,000	-	-
2024 Purchase Power Securitization	-	(31,257,378)	-	-	-	-	-	-
2024 Purchase Power Securitization	-	-	7,065,784	7,069,281	7,069,803	7,070,223	7,067,418	-
<b>Total Expenditures</b>	\$ 365,282,996	\$ 353,299,545	\$ 383,792,659	\$ 392,580,867	\$ 401,208,563	\$ 404,580,904	\$ 415,400,411	\$ 412,910,765
<b>Ending Fund Balance</b>	\$ 109,519,605	\$ 106,871,992	\$ 99,367,812	\$ 105,195,234	\$ 113,435,618	\$ 126,792,304	\$ 144,968,878	\$ 170,500,147
Net Change	\$ -	\$ -	\$ -	\$ 5,827,422	\$ 8,240,385	\$ 13,356,685	\$ 18,176,574	\$ 25,531,269
Base Rate Increase	0.0%	0.0%	5.5%	5.5%	5.5%	5.5%	5.0%	0.0%
Working Capital	29,222,640	28,263,964	30,703,413	31,406,469	32,096,685	32,366,472	33,232,033	33,032,861
Operating Reserve	80,296,965	78,608,028	68,664,399	73,788,764	81,338,933	94,425,831	111,736,845	137,467,285
<b>Target Reserves</b>								
Wrking Cptl - 8% / Op Reserve - 38%	153,664,563	136,987,882	153,226,569	156,735,520	161,173,155	163,463,729	167,978,012	169,189,959
Wrking Cptl - 8% / Op Reserve - 61%	\$ 230,496,845	\$ 205,481,823	\$ 229,839,853	\$ 235,103,281	\$ 241,759,733	\$ 245,195,593	\$ 251,967,017	\$ 253,784,939
Ending Fund Balance Target Met	NO	NO	NO	NO	NO	NO	NO	YES
Debt Service Coverage Ratio (DSCR)	1.03	1.46	1.43	1.67	1.72	1.76	1.81	1.85

# Delegations and Quarterly Process

- Proposed Ordinance delegates authority to the PUB to set ECA/TCRF Rates:
  - ECA may be adjusted quarterly if balancing account is +/- \$5M from previous quarter.
  - Changes to ECA/TCRF will be effective on the first day of the following month, pending notification to Council.
  - Council will be notified of any changes, and if requested, staff will postpone effective date and schedule an action item at the earliest agenda possible.
- Proposed Ordinance sets out delegation process to be effective in the following quarter and going forward or until such time as City Council opts for a different process.

# Recommendation

- Staff recommends that the City Council consider adoption of the proposed ordinance to:
  - Adjust ECA and Reinststate TCRF; and
  - Delegate to the PUB the authority to set/approve future ECA/TCRF rates.





# Questions

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**Bill Shepherd – Executive Manager of  
Business Services**

**Denton Municipal Electric**

