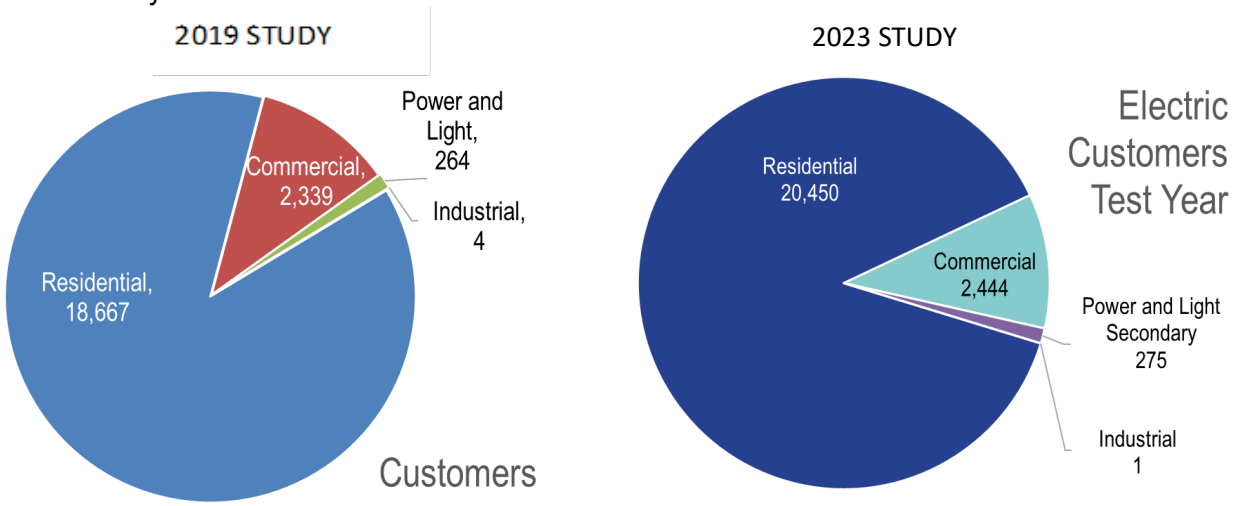
QUESTION I: Why are Residential Rates increasing and Commercial rates decreasing or flat when Commercial (i.e., Industrial or Non- Residential) customers use so much more energy?

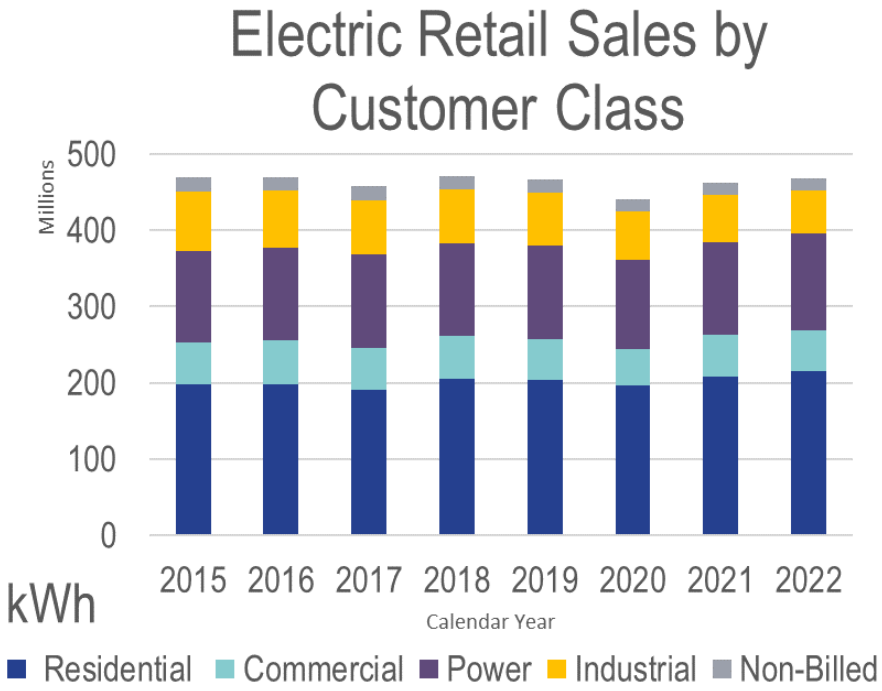
ANSWER I:

The Cost of Service Study allocates the Revenue Requirement between Customer Classes based on various factors reflecting relative use of the system. Since the last rate study, the SUA customer mix and consumption patterns have changed. These changes have impacted how costs have been allocated between customer classes.

The pie charts below show the change in customers by class from the last Rate Study. The pie chart on the left is from the last Study; the chart on the right is from the current Study.

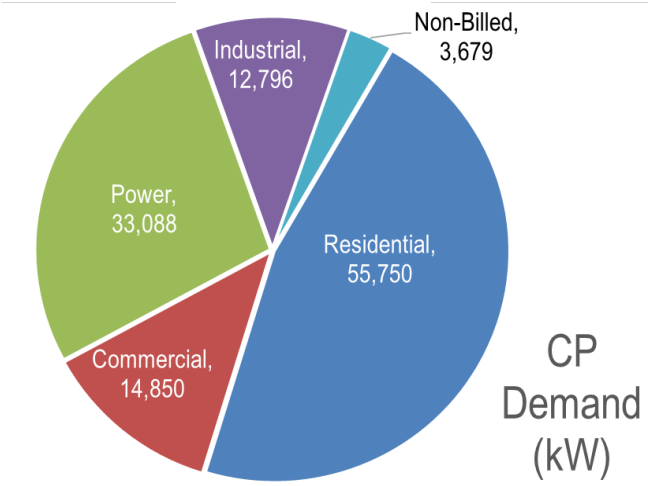


The bar charts below show the change in consumption by customer class from the last Rate Study through 2022.

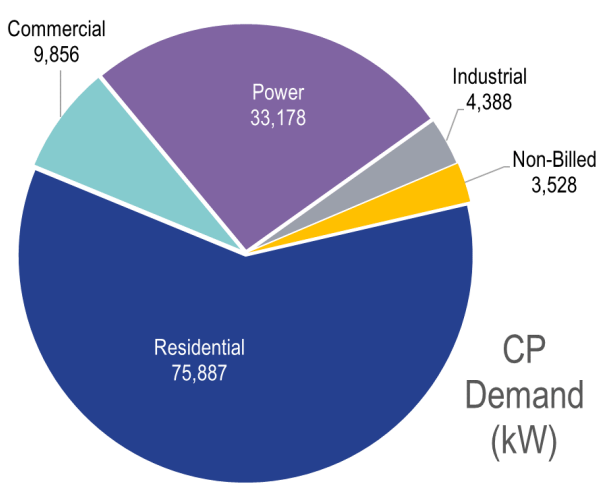


The pie charts below show the Coincident Peak (CP) Demand by Customer Class for the last Study (on left) and the current Study (on right). The CP is equal to the demand of each customer class at the time of the total system peak demand. As can be seen, Residential usage has increased while (Small) Commercial (General Service) and Industrial usage has decreased. Power (Power & Light Secondary) and Non-Billed Usage have remained fairly constant.

2019 STUDY

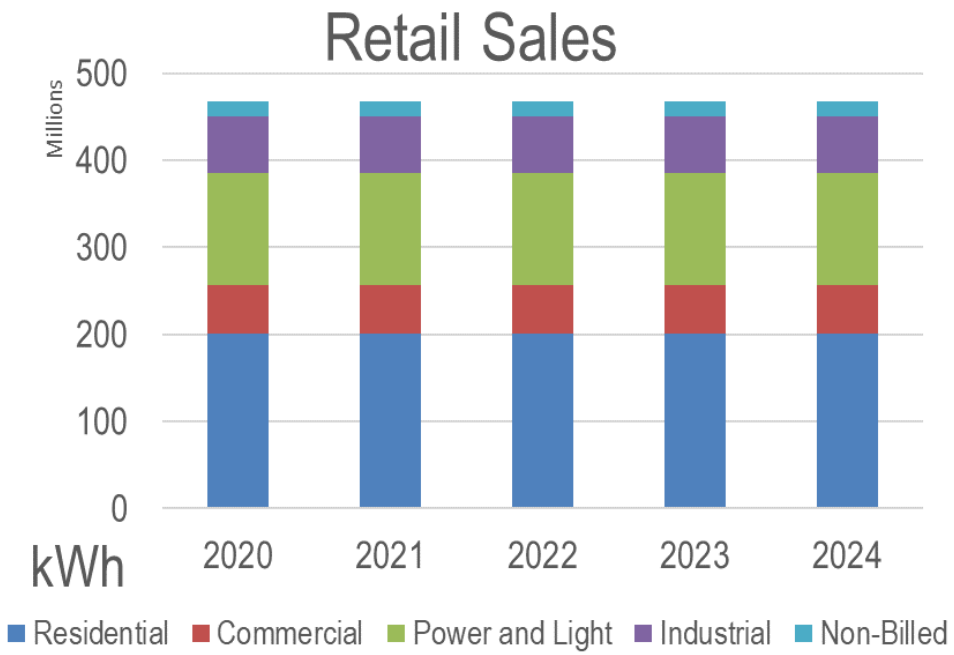


2023 STUDY

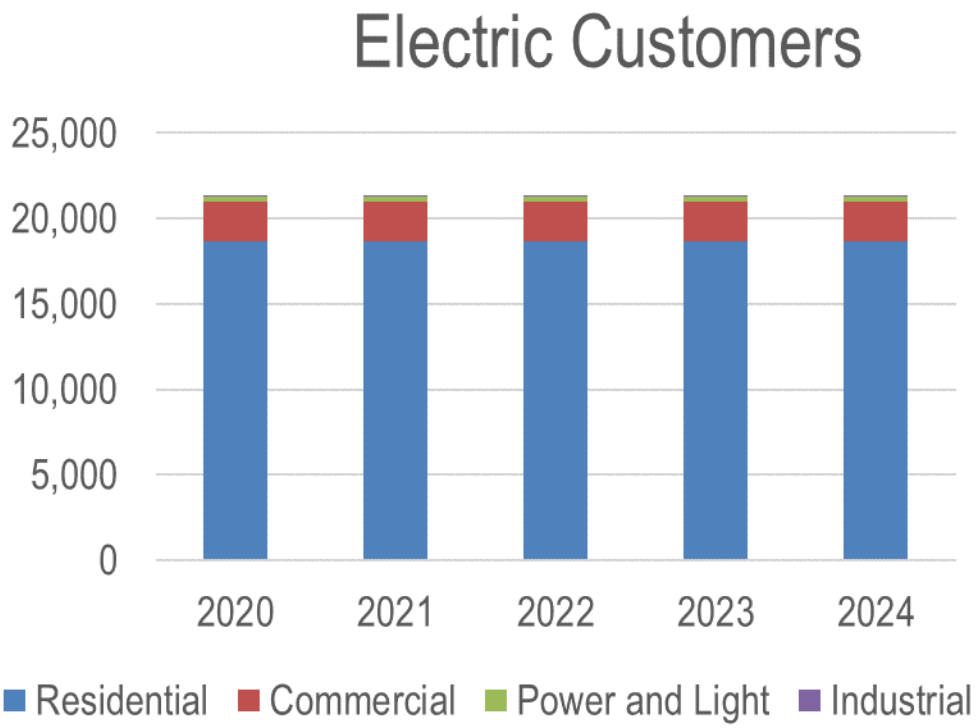


The bar charts below show the retail sales forecast and forecast of customers by class. The first two charts are from the last Study. The final two charts are from the current Study.

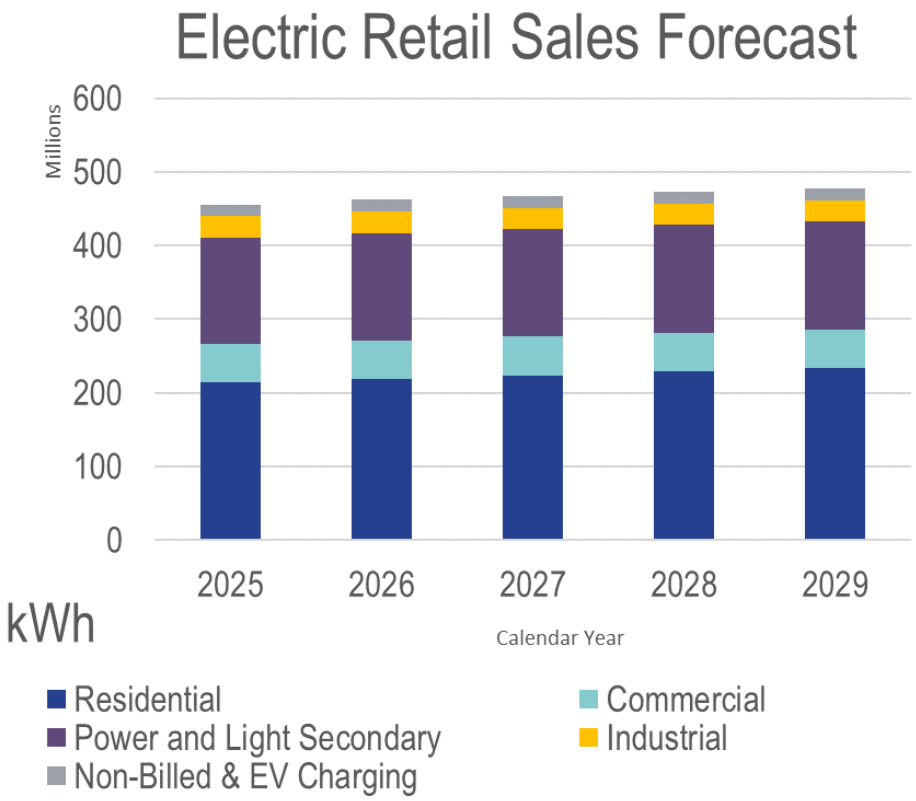
2019 STUDY



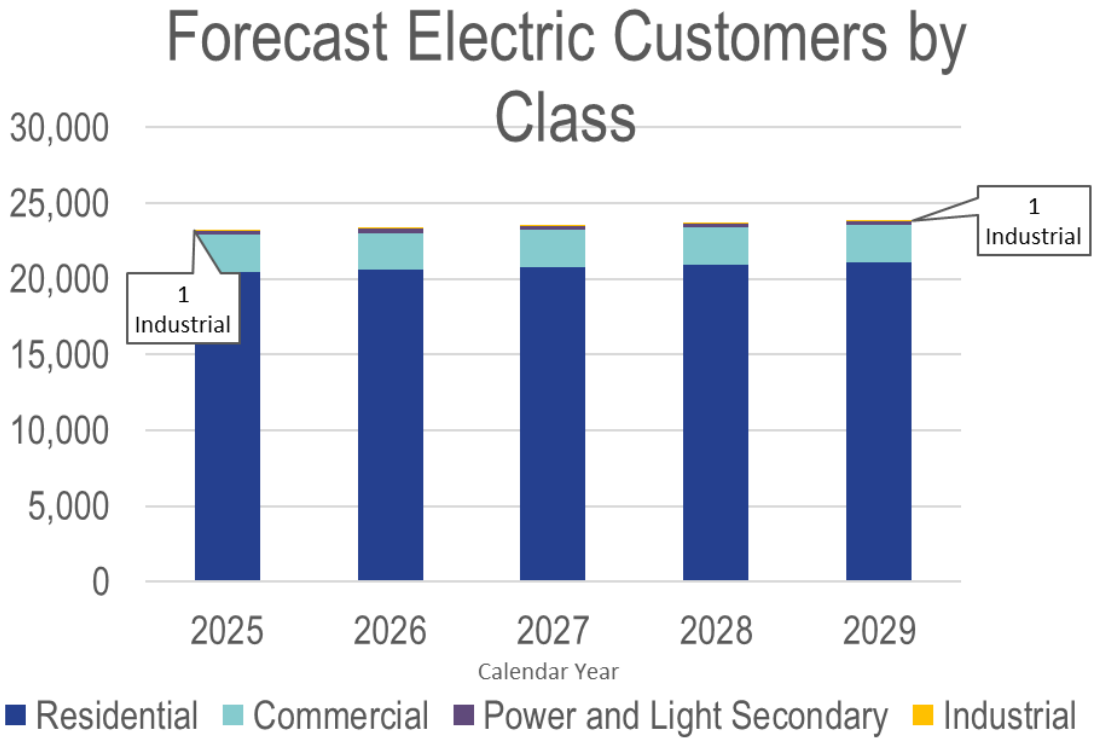
2019 STUDY



2023 STUDY



2023 STUDY



QUESTION II: How is it possible that the Commercial Class proposed rates don't increase enough to cover inflation?

ANSWER II:

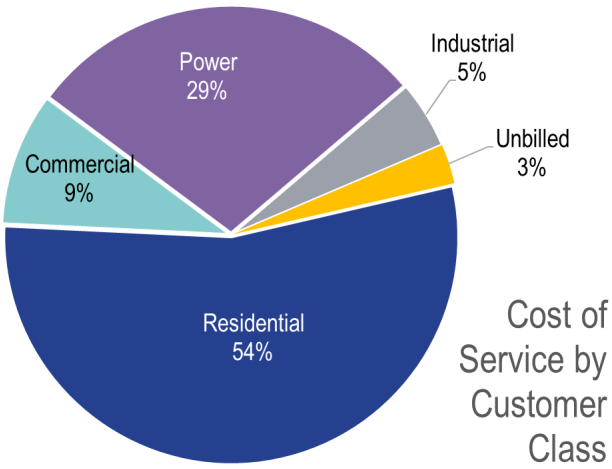
The Study determined that the non-demand Commercial (General Service) class is paying more than its cost of service. The rate design seeks to bring this class into alignment with the Cost of Service and peer utilities. Inflation increases are accounted for in the cost of service.

QUESTION III: How are costs assigned between classes?

ANSWER III:

See the answer to Question I above and the power point presentation from the September 25th presentation for explanations of how Cost of Service Studies are conducted.

The pie chart at right shows the Revenue Requirement for the Test Year by Customer Class. This is the basis for rate design.

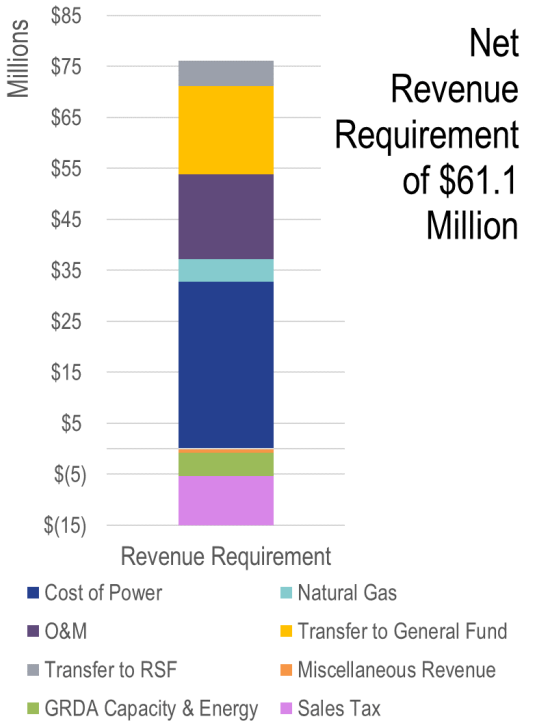


QUESTION IV: What are the expense assumptions and how are they escalated?

ANSWER IV:

The Study relies upon a host of escalators for key cost drivers, including inflation. In addition, the number of customers per class, and consumption by customer by class, are also factors that change over the forecast horizon. The bar chart at right shows the Test Year Revenue Requirement by cost driver.

The table below shows the overall change by major expense component over the 5-year forecast horizon. The changes are the effective result of the factors discussed above.



Stillwater Utilities Authority — Electric Utility
Summary of Projected Revenue Requirements and Revenues at Existing Rates
Fiscal Year Ending June 30,

Ln. No.	Description	Revenue Requirement 2025	Change	2026	Change	2027	Change	2028	Change	2029	Change
	(a)	(d)		(e)		(f)		(g)		(h)	
	Operating Expenses - Electric Distribution										
1	Cost of Power	$ 32,725,494	2%	$ 32,588,447	0%	$ 32,431,916	0%	$ 32,221,708	-1%	$ 32,182,728	0%
2	Natural Gas	4,533,379	-8%	4,570,833	1%	4,508,366	-1%	4,471,731	-1%	4,462,894	0%
3	Administration	2,104,797	4%	2,162,588	3%	2,220,706	3%	2,285,287	3%	2,350,325	3%
4	Engineering	1,183,617	14%	1,234,048	4%	1,281,234	4%	1,330,624	4%	1,376,049	3%
5	Generation O&M	3,763,895	11%	3,862,312	3%	3,962,255	3%	4,074,151	3%	4,188,021	3%
6	Distribution O&M	7,340,333	8%	7,604,988	4%	7,858,712	3%	8,129,945	3%	8,387,913	3%
7	Warehouse & Fleet	1,572,661	3%	1,617,473	3%	1,662,217	3%	1,711,660	3%	1,761,060	3%
8	Customer Service	348,293	0%	361,528	4%	374,116	3%	387,480	4%	400,055	3%
9	Metering	337,543	0%	351,833	4%	365,216	4%	379,234	4%	392,144	3%
10	*Total Operating Expenses*	*$ 53,910,013*	3%	*$ 54,354,051*	1%	*$ 54,664,736*	1%	*$ 54,991,821*	1%	*$ 55,501,188*	1%
	Other Revenue Requirements										
11	Transfer to General Fund	*$ 17,250,000*	6%	*$ 17,767,500*	3%	*$ 18,300,525*	3%	18,849,541	3%	19,415,027	3%
12	Transfer to RSF	5,000,000	25%	5,000,000	0%	5,000,000	0%	5,000,000	0%	5,000,000	0%
13	Transfer to Replenish RSF	0		0		0		0		0	
14	*Total Other Revenue Requirements*	*$ 22,250,000*	10%	*$ 22,767,500*	2%	*$ 23,300,525*	2%	*23,849,541*	2%	*24,415,027*	2%
15	**Total Expenditures**	**76,160,013**	5%	**77,121,551**	1%	**77,965,261**	1%	**78,841,362**	1%	**79,916,215**	1%
	Less Transfers and Other Revenue										
16	Service Expansion (RSF Transfer)	$ 150,000	39%	$ 153,000	2%	$ 156,060	2%	$ 159,181	2%	$ 162,365	2%
17	Utility Pole Attachment	101,218	249%	126,853	25%	152,488	20%	178,123	17%	203,758	14%
18	Miscellaneous Revenue	50,000	0%	51,000	2%	52,020	2%	53,060	2%	54,122	2%
19	SUA Revenue Allocation	525,920	0%	539,068	2%	552,545	2%	567,740	3%	583,353	3%
20	GRDA Capacity	165,000	0%	165,000	0%	165,000	0%	165,000	0%	165,000	0%
21	GRDA Energy	4,352,044	10%	4,388,000	1%	4,328,031	-1%	4,292,862	-1%	4,284,378	0%
22	Sales Tax	9,700,000	0%	9,700,000	0%	9,700,000	0%	9,700,000	0%	9,700,000	0%
23	*Total Other Revenue*	*$ 15,044,182*	4%	*$ 15,122,921*	1%	*$ 15,106,144*	0%	*15,115,966*	0%	*15,152,975*	0%
24	**NET REVENUE REQUIREMENTS**	**$ 61,115,831**	5%	**$ 61,998,631**	1%	**$ 62,859,118**	1%	**$ 63,725,396**	1%	**$ 64,763,241**	2%

QUESTION V: Commercial/Industrial customers use so much more energy; why then are the residential rates so high?

ANSWER V:

Residential customers cost more to serve than larger customers; more infrastructure and service is required to serve a smaller load. Furthermore, when fixed costs are recovered over lower consumption the average cost per kWh is increased.

Industrial customers typically: take supply at primary voltage; provide their own transformation equipment; and are located close to a substation. Thus, serving these customers requires less infrastructure investment by SUA reducing the overall cost. These customers use large amounts of energy which reduces the unit cost.

Residential customers are typically fed from a substation circuit located miles away and require the use of SUA transformers and associated infrastructure. Thus, Residential customers require significantly more infrastructure (transformers, poles, conductor, insulators, meters, etc.) to supply, increasing the fixed cost of service relative to non-Residential customers. At the same time, they use much less energy than non-Residential customers increasing the per-unit cost.

QUESTION VI: Why is the Small Commercial Class (General Service) so out of alignment with its Cost of Service?

ANSWER VI:

The Study Scope was to conduct a Cost of Service and Rate Design Study. Determining why a class is out of alignment is not part of the Scope of a Study like this. The Study creates a current snap shot and forecasts future conditions. Determining past events and conditions would require a separate Study. However—as discussed in the presentations on September 25, October 10, and October 12—several factors, among others, may have contributed to this lack of alignment:

- Changes in the customer makeup and consumption characteristics over time
- Lack of rate structure changes for thirty years

The presentation on September 25 includes a discussion of this class as well as examples of how rate designs can get out of alignment and create anomalies including over and under recovery.