AGENDA ITEM NO.: 5.A.1
MEETING DATE: 03/15/2021
ADMINISTRATIVE REPORT NO.: 2021-51
ACTION: FOR INFORMATION ONLY

To: Honorable Public Utilities Board

Submitted by: /S/
Vidhi Chawla
AGM-Energy Resources Planning

From: Jonnie Kipyator
Energy Resources Analyst

Approved by: /S/
Nicolas Procos
General Manager

Subject: For Information Only: Summary of 10-Year Financial Pro Forma Analysis

RECOMMENDATION

This report is provided for *information only*; no action is required at this time. The purpose of this report is to present the updated summary of the 10-year financial pro forma analysis to inform the Public Utilities Board (Board) of the results.

BACKGROUND

Each year staff presents the results of the 10-year pro forma model developed to comply with the *Financial Guidelines for Rates, Revenues, and Reserves* (Financial Guidelines) adopted by the Board on May 17, 2010. The Financial Guidelines include a debt service coverage ratio target, that cash from operations must be at least 1.75 times Alameda Municipal Power's (AMP) total debt service and recommends an operating reserve requirement that at least 145 days of operating reserves are kept on hand to fund operations. The five-year ratemaking policy for fiscal year (FY) 2021 - FY 2025, adopted in October 2019, includes gradual and steady rate increases of no more than five percent per year contingent upon annual Board approval in addition to compliance with existing Financial Guidelines. (Please see Exhibits B and C for details). Table 1 shows how AMP has met the Financial Guidelines and ratemaking policy from FY 2017 – FY 2021 for the last 5 years.

Fiscal Year	Rate Adjustment (No More Than 5 Percent)	Debt Coverage Ratio (Minimum of 1.75)	Operating Reserves Approximately (145 days)
2017	5.00%	2.16	214
2018	5.00%	2.93	200
2019	1.00%	4.79	214
2020	2.50%	4.31	297
2021	0.00%	2.24	287

Table 1 – Financial Criteria Five-Year Pro Forma Summary

DISCUSSION

The pro forma incorporates draft FY 2022 budget information developed in preparation for the budget workshop. The budget provides the revenue requirement for the first year and the pro forma provides the Board with financial information to consider when establishing the rate adjustment plan for the upcoming fiscal year and beyond.

The Pro Forma is showing a rate increase of up to 2 percent for FY 2022, with additional rate increases needed in the following years. The recommended rate increase will be finalized based on the final power budget from the Northern California Power Agency (NCPA) and brought to the April Board meeting. As summarized in Table 2 below, staff estimates that AMP will be able to sustain its reserve levels while planning for future capital expenditures and without causing sudden rate spikes by implementing a 2 percent rate increase annually. Staff makes projections for a robust level of operating reserves to cover its financial metrics and in anticipation of unbudgeted future costs.

The adjusted debt coverage ratio was calculated using the operating expenses funded by rates and does not include projects that are funded by designated reserves. Staff is providing this information to illustrate the effect of the strategy to increase the use of various designated reserves.

FY	Rate Increase %	Avg Rate (¢/kWh)	Debt Coverage Ratio	Debt Coverage Ratio Adjusted	Days of Operating Reserves	Net Operating Surplus ($000s)	Operating Reserves ($000s)
2022	2.0%	18.92	2.12	4.22	314	$ (574)	$ 55,088
2023	2.0%	19.30	1.83	3.38	258	$ (7,495)	$ 47,679
2024	2.0%	19.68	2.39	4.02	232	$ (3,998)	$ 43,767
2025	2.0%	20.08	2.68	4.40	222	$ (1,063)	$ 42,792
2026	2.0%	20.48	2.86	4.15	211	$ (1,487)	$ 41,394
2027	2.0%	20.89	2.09	2.92	190	$ (2,876)	$ 38,608
2028	2.0%	21.30	2.74	3.65	180	$ (1,792)	$ 36,923
2029	2.0%	21.73	3.85	4.70	173	$ (1,277)	$ 35,755
2030	2.0%	22.16	4.25	5.10	169	$ (394)	$ 35,471
2031	2.0%	22.61	N/A	N/A	186	$ 2,778	$ 38,361

Table 2 –Pro Forma Analysis Results

Development of Pro Forma Analysis

A pro forma statement summarizes the projected future financial status of a company; particularly projected cash flows and net revenues based on current financial statements. A long-term financial pro forma is developed using projections of revenues, operating and non-operating expenses, interest payments and other income.

AMP’s revenue requirements are made up of power costs, transmission costs, materials, services and labor, debt payments, capital expenditures, and other non-operating expenses, e.g.: transfers to city, transfers to reserves, etc. Long-term estimates of each of these individual components are developed using assumptions based on the best judgement from staff using the latest information available. After that, sources of funding are determined for the revenue requirements. Revenue requirements can be funded from rates, debt, or designated funds, e.g., Renewable Energy Credit (REC) sales revenue or Cap and Trade (C&T) auction proceeds, undergrounding reserves, etc. Revenue requirements are also defined as total budget costs.

Using the Financial Guidelines adopted by the Board, a rate increase trajectory is determined that will be necessary to maintain AMP's financial health in the long term.

Assumptions

Key assumptions used in developing the FY 2022 pro forma are discussed below:

- Power Costs

  AMP's power cost is the total cost of providing power to serve its customer load. Staff used preliminary budget estimates from Northern California Power Agency's (NCPA's) budget for FY 2022 and the FY 2022 Load Forecast recently adopted at the January 27, 2021 Board meeting to forecast all direct and indirect costs related to its generation resources, transmission, power management, wildfire related costs, resource adequacy market values, and market transactions.

- Capital Expenditures

  AMP's capital expenditures are an estimate of costs related to the improvement and replacement of existing infrastructure and new infrastructure projects. For the FY 2022 pro forma analysis, staff included $5.1 million in Engineering and Operations improvements, with $1.9 million funded by designated reserves. This includes investment towards interconnection costs for the Doolittle solar project, replacing aging infrastructure, making new customer connections, and improving the overall resiliency of the distribution grid.

- Labor, Materials and Service Costs

  A simple escalator that can vary by fiscal year is used to develop estimates for labor, materials, and service costs from the current fiscal year budget. Staff aligned escalators for labor costs with executed labor agreements where appropriate.

- Other Costs and Expenditures

  In addition to operating and capital expenses, AMP has other non-operating expenses which include, but are not limited to, its debt payments, rebates to customers, transfers to the City, including Payment in Lieu of Taxes, and Return on Investment transfers to reserves.

- Funding sources

  Revenue requirements may be funded by rates, debt, or designated reserves. Designated reserves may be used to fund special projects subject to Board policies that define limitations on the use of such funds. Staff assumes expanded use of designated funds to cover certain customer programs (e.g., energy efficiency, electrification, etc.), a local solar project and a portion of renewable power purchases above and beyond the RPS mandate. Formal Board review and approval of FY 2022 designated reserves spending will occur at the FY 2022 budget workshop on April 19, 2021.

As shown in Figure 1, staff plans for moderate use of REC reserves anticipating most of the remaining balance of the REC reserve to be used by FY 2031 on designated uses allowed by the Board and program regulations. While staff assumes a moderate replenishment of C&T proceeds through the quarterly auctions, staff plans to use most of AMP's annual allocation because;

- The C&T reserve is currently more flexible and can be used on a wider range of designated uses unlike REC, LCFS and Undergrounding Reserves.
- Given the changing regulatory environment at California Air Resources Board (CARB), the agency that administers the C&T program; staff anticipates future changes to the program will impact the allowed uses of the program.

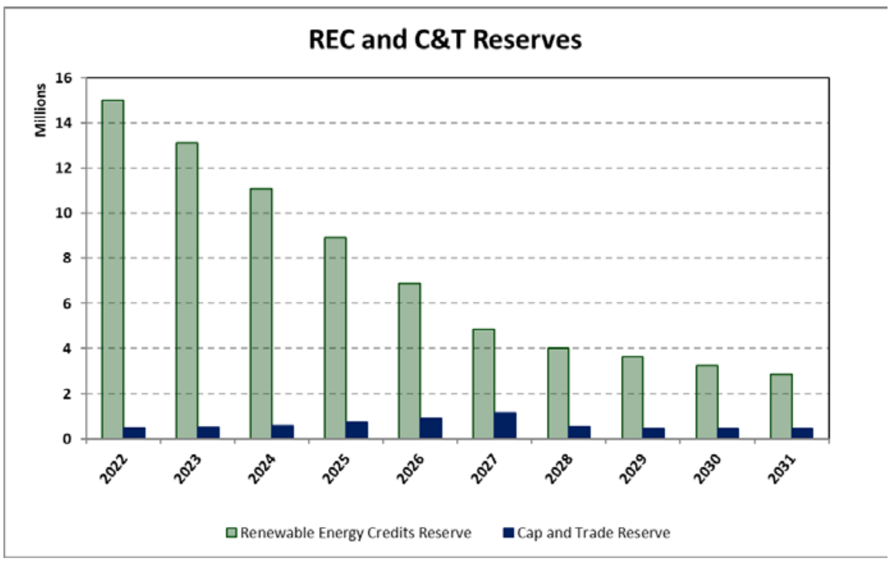

Figure 1 – Designated Reserve Drawdown Analysis

Comparison of Key Assumptions from last year

Table 3 shows a detailed comparison of last year's forecast for FY 2022 costs to this year's forecast of FY 2022 costs and highlights a total estimated revenue requirement for FY 2022 that is $900 thousand lower than last year's estimate. This decrease is largely due to decreased power costs.

	FY 2021 Forecast for FY 2022 ($ Million)	FY 2022 Forecast for FY 2022 ($ Million)	Difference ($ Million)
Power Costs (including transmission)	$37.5	$36.1	(1.4)
Capital Costs	$4.6	$5.1	0.5
Material, Services, and Labor Costs	$25.2	$25.2	0.0
Non-Operating Expenses	$1.3	$1.3	(0.0)
Debt Service	$2.7	$2.6	(0.0)
Contribution to City	$5.7	$5.7	(0.1)
Revenue Requirement	**$76.9**	**$76.0**	**(0.9)**

Table 3 – FY 2022 Cost Comparison

Key drivers for FY 2022 revenue requirements are lower power costs and higher capital costs. Staff receives detailed information from NCPA's budgets and ten-year forecast, allowing for a deeper analysis of the underlying cost determinants. This year, the two key drivers for lower net power costs are: 1) increase in projected generation revenues due to higher market price and, 2) an assumption for development of a wildfire insurance fund[1] was included in last year's projection which is not included in this year's projection based on most up to date information from NCPA.

Additional changes include increased load aggregation costs, increased operating & maintenance (O&M) costs related to wildfire mitigation and emissions reductions, increases in NCPA's labor costs related to labor contracts and new hiring for cybersecurity roles, and increased power management costs. However, these additional changes were not large enough to offset the effects of the two main drivers for lower net power costs.

Results

As shown in Figure 2, AMP needs rate increases in later years and draws from designated reserves to sustain sufficient operating reserves and maintain its debt coverage ratio close to the targets established in the Board adopted Financial Guidelines.

[1] Similar to the Investor Owned Utilities, Staff had made an assumption for a Publicly Owned Utilities wildfire fund.

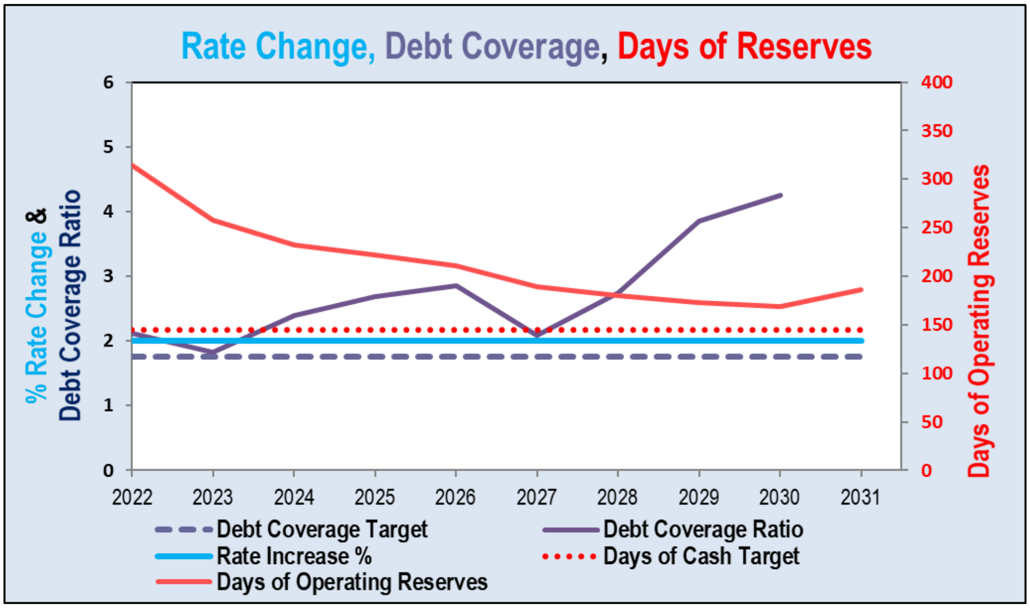

Figure 2 – FY 2022 Pro Forma Model Results - Key Financial Criteria

Additionally, as shown in Figure 3, staff estimates that AMP can maintain sufficient operating reserves to plan for future capital projects and other unexpected expenditures without causing sudden rate spikes or increasing rates by more than 2% in later years.

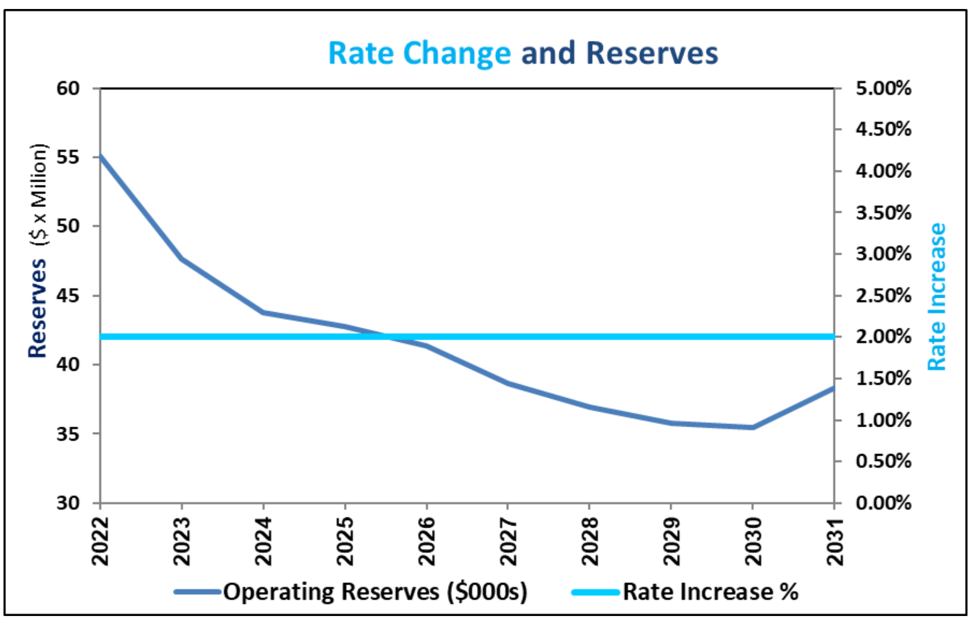

Figure 3 – FY 2022 Pro Forma Analysis Results – Rate Increase and Reserves

Figure 4 shows the estimated revenue requirements for the next 10 years. As can be seen from the graph, variation in revenue requirements across the years is primarily caused by changes in power costs and capital costs.

Power costs will continue to increase due to 1) increasing costs of operation and maintenance of NCPA power plants and 2) increasing Transmission Access Charge (TAC). For the capital budget, the projections include significant spending on undergrounding, interconnection of new loads, Doolittle solar interconnection and substation upgrades.

Finally, labor, services, and materials costs steadily increase over time based on a cost escalator linked to interest rates, contracts, and inflation.

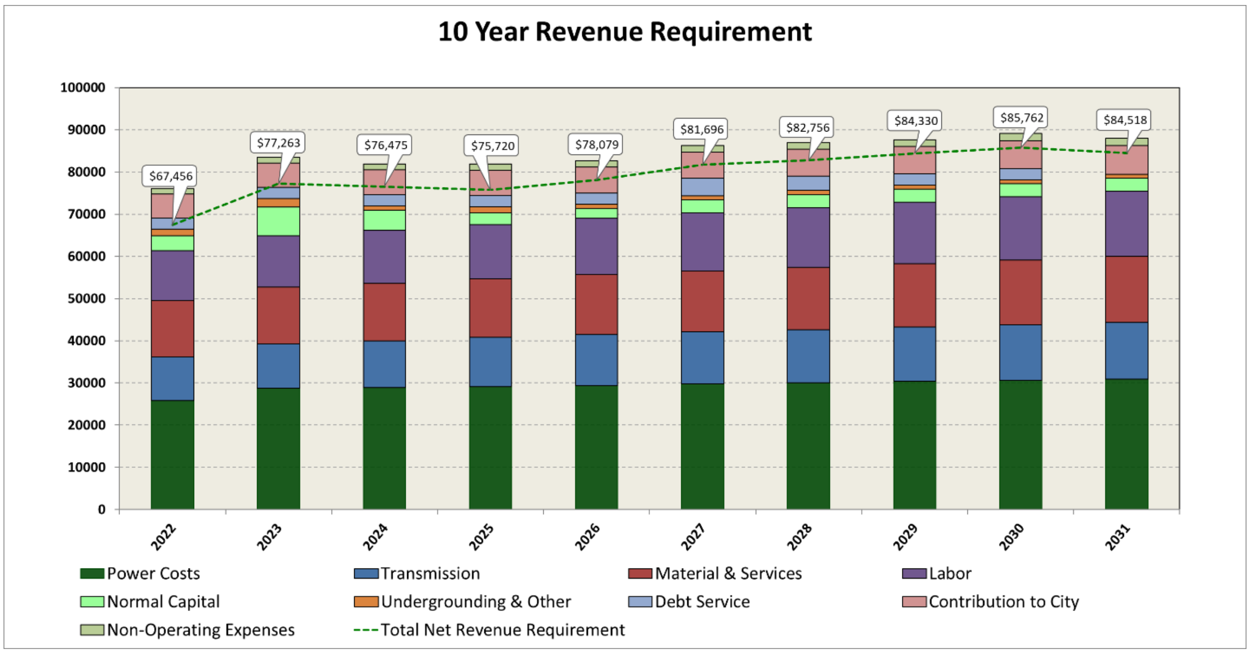

Figure 4 – Ten-Year Pro Forma Revenue Requirement

CONCLUSION

The Pro Forma is showing a rate increase of two percent for FY 2022, based on preliminary budget inputs. Staff will finalize the rate increase target when final budget numbers become available. The final rate change proposal may include rate class changes for an overall neutral impact on the system average rate.

FINANCIAL IMPACT

Staff projects a draw from operating reserves and designated reserves to cover increases in revenue requirements in FY 2022.

NEXT STEPS

Staff will develop recommendations on how to use its designated reserves and present the final budget and rate adjustments for approval on April 19, 2021.

LINKS TO STRATEGIC PLAN AND METRICS

Business Resiliency

Strategy 2: AMP will develop financial planning processes that provide fiscal stability and clearly communicate service priorities with their associated costs.

T1: Include a longer-term outlook of the Capital Improvement Plan in the annual budget.

T2: Improve rate design to reflect AMP's Strategic Plan.

KPI: Maintain rates at 15 percent or more below PG&E and 10 percent or more below local CCAs.

EXHIBIT

A. Power Point Presentation
B. Financial Guidelines for Rates and Revenue, and Reserves, adopted at the May 17, 2010 Board meeting
C. Ratemaking Policy for FY 2021 Through FY 2025 – Resolution No. 5165

Ten-year Pro Forma
Fiscal Years 2022 – 2031

March 15, 2021

ALAMEDA MUNICIPAL POWER
A Department of the City of Alameda

Overview

- Background/Methodology
- Summary of Pro Forma Analysis
- Key drivers and assumptions
- Results
- Recommendations and Next Steps

Background and Methodology

Rate Adjustment Plan

- AMP's Ratemaking Policy outlines a strategy to avoid rate spikes while maintaining good financial standing
  - Avoid unanticipated rate spikes.
  - Comply with adopted financial policies.
    - <=5% annual rate increase
    - 1.75 x debt coverage ratio
    - 145 days of operating reserves
  - Board conceptually approved rate increases of less than 5 percent each year contingent upon approval

AMP’s Strategic Plan

- In January 2019, the Board approved a new Strategic Plan.
  - Strategy 2 of the Business Resiliency Issue reads, “AMP will develop financial planning processes that provide fiscal stability and clearly communicate service priorities with their associated costs.”
  - Tracking progress is primarily through the key performance indicator – “Maintain rates at 15 percent or more below Pacific Gas & Electric and 10 percent or more below local Community Choice Aggregators.”

Prior Years' Rate Increases and Compliance

- AMP's prior years' rate increases were recommended in compliance with policies laid out by the rate adjustment plan.

Fiscal Year	Rate Adjustment (No More Than 5 Percent)	Debt Coverage Ratio (Minimum of 1.75)	Operating Reserves Approximately (145 days)
2017	5.00%	2.16	214
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Pro Forma Analysis - Methodology

Step 1: Develop revenue requirement (total budget costs)

Key Components of revenue requirement are:

- Power costs
- Labor, services, and materials
- Debt service
- Transfers
- Capital projects
  - Regular maintenance projects
  - Undergrounding
  - Non-routine projects e.g., development of Alameda Point

Pro Forma Analysis – Methodology cont.

Step 2: Determine how revenue requirement is financed

- Revenue requirement can be funded using either rates, debt or designated reserves
    - Rates
    - Debt
    - Designated reserves
        - Renewable Energy Credit (REC)
        - Cap and Trade (C&T)
        - Underground
        - Low Carbon Fuel Standard (LCFS)
- Designated reserves can only be used to fund specific projects

Step 3: *Determine rate increases required to meet financial metrics as per the ratemaking policy*

Key Drivers and Assumptions

Assumptions: Power Cost

Impact on Power Costs

- Market Price Elevation (Higher Revenues) ↓
- Wildfire-related Costs ↑
- Debt Reductions ↓
- Plant Related Costs ↑
- Transmission Costs ↑

Assumptions: Capital Expenditures

Capital Improvement Plan (Engineering & Operations)

- Interconnection Costs for Doolittle Solar project
- Distribution Projects for New Loads/New Development
- Underground Projects
- Breaker Replacements
- Substation Work

Summary of Analysis
and
Detailed Results

Summary of FY2022 Pro Forma Analysis

Starting FY2022, AMP plans to keep rate increases no greater than 2 percent, while allowing the operating reserve levels to gradually reduce closer to our financial metrics and acknowledging unbudgeted future costs.

FY	Rate Increase %	Avg Rate (¢/kWh)	Debt Coverage Ratio	Debt Coverage Ratio Adjusted	Days of Operating Reserves	Net Operating Surplus ($000s)	Operating Reserves ($000s)
2022	2.0%	18.92	2.12	4.22	314	$ (574)	$ 55,088
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2031	2.0%	22.61	N/A	N/A	186	$ 2,778	$ 38,361

** The adjusted debt-coverage ratio doesn't include expenses that are funded by special reserves*

ALAMEDA MUNICIPAL POWER
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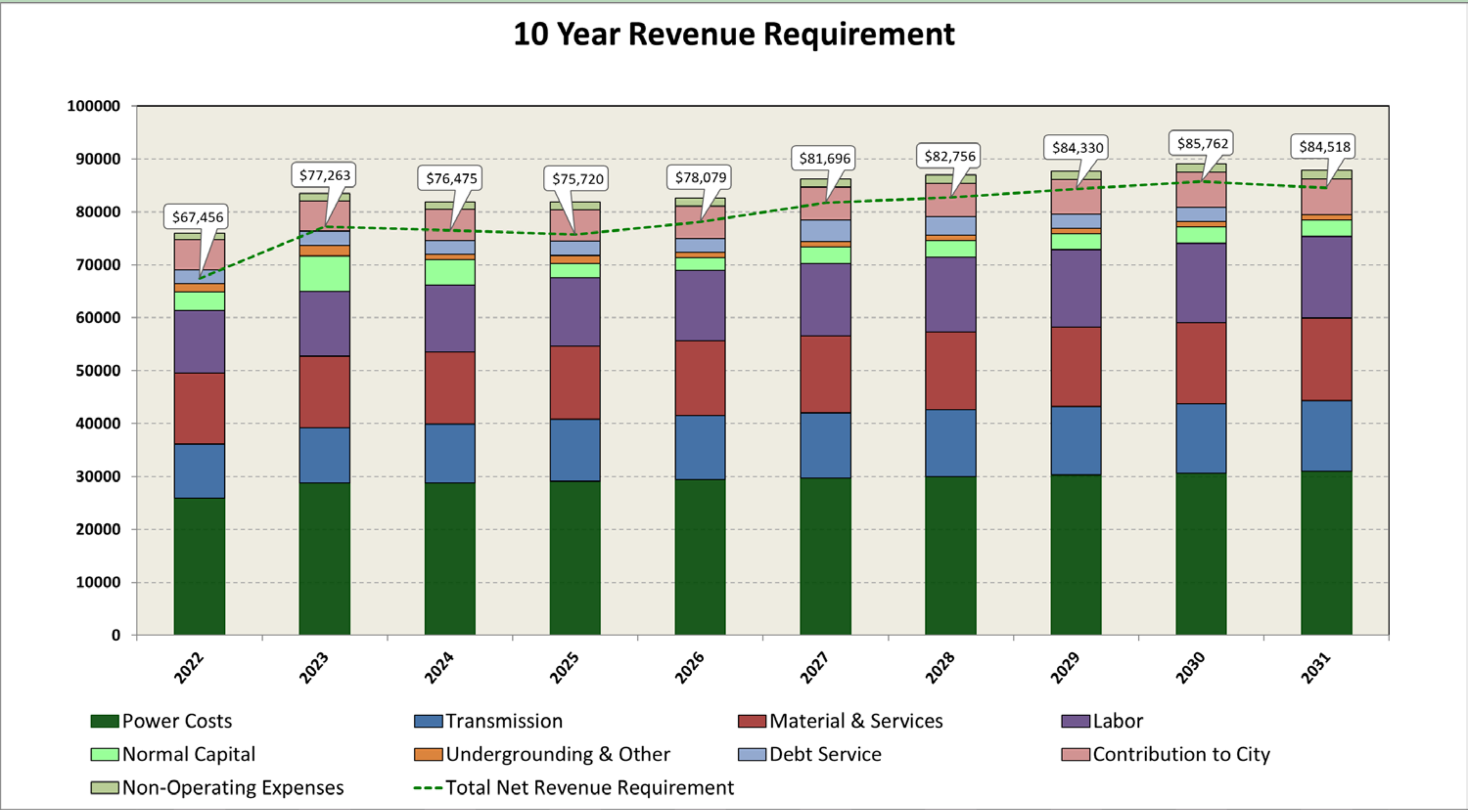
FY2022 - 2031 Revenue Requirements



Next Steps

<u>Upcoming events:</u>

- April 19 PUB Meeting:
  - FY 2022 Budget Workshop
  - FY 2022 Cost of Service and Rates Update PUB Meeting

- June Meeting:
  - Adoption of FY 2022 Budget and Budget Policy

Questions

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ALAMEDA MUNICIPAL POWER
A Department of the City of Alameda

To: Honorable Public Utilities Board

Submitted by:______/s/______________
Robert J. Orbeta
AGM - Administration

From: Robert J. Orbeta
AGM - Administration

Approved by:____/s/_______________
Girish Balachandran
General Manager

Subject: Financial Guidelines for Rates and Revenue, and Reserves

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RECOMMENDATION

By motion, it is recommended that the Public Utilities Board (Board) accept the financial guidelines for rates and revenue and that the Board accept the financial guidelines for reserves.

BACKGROUND

Alameda Municipal Power (AMP) hired Sandra McDonald of McDonald Partners as its Financial Advisor (FA) for financial planning, and to review the Series 2000A and 2000AT Certificates of Participation (COPs). The FA has been conducting a comprehensive review of financial planning goals, the COPs, and bond coverage requirements. Additionally, staff has developed a series of assumptions and scenarios with the FA to generate a Ten Year Financial Plan that will be used to balance revenue with expenses while maintaining adequate reserves.

As a result of the work performed with the FA, the financial policies that are being proposed by staff at this time are intended to document some of the financial planning guidelines that will be used in the rate, revenue and reserve planning process, and to support the refinancing efforts of the Series 2000A and 2000AT COPs. AMP is establishing these financial guidelines to ensure that finances are managed in a manner that will continue to provide for the delivery of reliable electric service as the community grows, manage the organization so that it lives within its means, and to establish reserves necessary to meet unanticipated expenditures and service level emergencies.

At the January 25, 2010 Board meeting, the FA discussed financial planning goals, importance of AMP's credit rating, primary drivers for credit ratings, and credit implications of reserves. The FA highlighted that the goal of financial planning was to maintain adequate reserves and liquidity, maintain or improve credit ratings, comply with bond covenants, enhance transparency, reduce debt expense and minimize rate impacts.

At the February 22, 2010 Board meeting, the FA provided a market update, a debt refunding analysis, an alternative structuring of reserves, and the credit implications of implementing the debt/reserve alternatives.

At the March 15, 2010 Board meeting, the FA recapped the financial planning discussions and recommended financial guidelines:

- The FA recommended that the financial guideline for unrestricted operating cash should have a target of 145 days, a low of 100 days, and a high of 270 days.

- The FA highlighted that this recommendation was contingent on no significant change in AMP's power portfolio risk.

- The FA recommended that the debt service coverage ratio should have a target of 1.75x.

- The FA highlighted that this recommendation is at the low end of range for the entire WECC peer group, but that it was appropriate for AMP's level of debt and capital expenses.

- The FA concluded that:

  - Pro forma results should include, at a minimum, sufficient revenues to meet both the 145 days of operating cash on hand and a 1.75x debt service coverage ratio;

  - Rates may be set to collect additional funds for future planned expenditures while avoiding, or minimizing, future debt issuances and providing rate stabilization; and

  - Mid-year rate increases should be considered when there is less than 100 days of operating cash on hand or when there is less than the minimum bond coverage ratio.

In addition to the FA presentation and recommendations at the March 15, 2010 Board meeting, staff presented a 10-year pro forma financial plan and introduced recommendations for rate principles and guidelines for ratemaking purposes.

During the 10-year pro forma financial plan presentation, staff highlighted the purpose behind creation of the pro forma, indicated the key drivers that impact the results of the planning model, identified factors that are causing operating costs to rise, discussed assumptions contained in the planning model, identified a sampling of questions to be addressed in the scenario analysis, and provided an analysis of findings resulting from each of the scenarios. The conclusion was that, over the long term, there are only small differences between the scenario options, and that excess renewable power sales only forestall future revenue requirements. The analysis confirmed that a steady, gradual basis for rate adjustments will meet the needs of AMP.

During the rate principles and guidelines presentation, staff highlighted some of the existing policy directives and strategies related to ratemaking. Additionally, staff discussed development of the ratemaking principles and highlighted that development of a rate structure must reach reasonable compromises between conflicting and competing objectives.

DISCUSSION

The following financial guidelines are recommended to the Public Utilities Board for implementation by staff:

General

1. AMP shall manage its financial assets in a sound a prudent manner.

2. AMP shall maintain sound financial practices in accordance with applicable law and regulations.

3. AMP shall allocate its available financial resources toward meeting goals identified in the Board adopted strategies.

4. AMP shall ensure long-term fiscal sustainability in funding all direct and indirect costs necessary to provide reliable electric service.

5. AMP shall maintain accounting systems in conformance with generally accepted accounting principles (GAAP).

6. AMP shall establish and maintain investment policies in accordance with State law and sound investment principles, ensuring safety and liquidity of principal over yield.

7. AMP shall ensure compliance with all financial covenants contained in any bond indenture, lease, installment sale agreement, letter of credit or other financing document.

Rates & Revenues

1. AMP shall at least annually review all rates and charges.

2. AMP shall seek approval of any required rate increase to:
    a. ensure that the current rates and charges and any other revenues, together with any planned transfer from a Rate Stabilization Fund or the Operating Reserve, recover the full cost of operating AMP, including all operating costs, payments in lieu of taxes, general fund transfers, debt service and capital projects that are not expected to be paid with the proceeds of bonds,
    b. provide a target coverage of ratio of 1.75X (based on calculations in accordance with AMP's bond documents).

3. AMP shall bill customers for electric service in a timely manner. No customers shall receive free service.

4. AMP shall aggressively pursue revenue collection and auditing to ensure that monies due are received in a timely manner.

5. AMP shall establish connection fees, development fees or other user fees that fully support the total direct and indirect cost of any activity that benefits only specific customers or individuals, including administrative overhead and depreciation, except as provided by other specific policy criteria.

6. AMP shall prepare periodic financial reports of actual revenues and expenditures for review by the Public Utilities Board, in order to provide information on the status of AMP's financial condition, as required by the City Charter.

7. AMP shall maintain and further develop methods to monitor major revenue sources and evaluate financial trends, assisted by outside technical consultants as necessary.

Reserves

1. AMP shall establish, dedicate and maintain reserves annually to meet known and estimated future obligations.

2. In preparing each Annual Budget and Annual Rate Review, AMP shall target a projected Operating Reserve fund balance at the end of each fiscal year shall be at least equal to:
    a. 145 days of all operating expenses including any payment-in-lieu of taxes/ROI.
    b. It is understood that the target set forth above is a guideline and the Board may adopt a budget and establish rates such that the projected operating reserve fund balance is higher or lower than the target amount; however, in no case shall the projected operating reserve balance be less than 100 days of all operating expenses including any payment-in-lieu of taxes.
    c. Operating expenses shall include costs for purchased power, maintenance, operations, customer accounts, sales, administration & general, and PILOT/ROI. Specifically excluded from the definition are depreciation, non-operating revenue and expenses, debt related charges, the transfer to the General Fund, capitalized equipment costs, and capital project work including outside billing to 3rd parties.

3. AMP shall establish Board designated reserve accounts which include, but are not limited to, designated reserves for the following:
    a. Reserve for solar rebates;
    b. Reserve for undergrounding;
    c. Reserves for insurance.

FINANCIAL IMPACT

None.

LINK TO STRATEGIC PLAN AND METRICS

Strategy No. 2: Ensure utility financial health is preserved through short and long term risk management planning.

EXHIBIT

None.

AGENDA ITEM NO.: 5.A
MEETING DATE: 03/15/2021
EXHIBIT C

CITY OF ALAMEDA
ALAMEDA MUNICIPAL POWER

RESOLUTION NO. 5165

APPROVE ALAMEDA MUNICIPAL POWER'S RATEMAKING POLICY FOR FISCAL YEAR 2021 THROUGH FISCAL YEAR 2025

WHEREAS, the Public Utilities Board (Board) hereby finds that the following policy provides reasonable principles and guidelines for the determination of rates;

NOW THEREFORE BE IT RESOLVED that the Board hereby approves the following Ratemaking Policy:

AMP shall align previous principles and guidelines with current strategies and practices to assure that rates:

1. Provide adequate revenue
    - Cover operating, non-operating, and capital expenditures
    - Ensure a reasonable level of working capital is available for unexpected events
    - Provide 145 days operating cash on hand
    - Provide 1.75 debt service coverage ratio

2. Consider equity
    - Support equity between and within customer classes
    - Support equity in discount, incentive, and rebate programs

3. Send price signals to customers
    - Reflect the cost of service
        - Fixed customer or meter charge for each rate class to help recover the costs of customer billing and overhead independent of energy usage
    - Be simple yet understandable
    - Encourage customer response to energy usage and consider different rate structures
        - Time-dependent rates
        - Tiered rates
        - Demand charges

4. Reflect the community's social priorities
    - Consider the social priorities found in the Strategic Plan
        - 100% carbon-free portfolio
        - Energy efficiency and building electrification
        - Transportation electrification

    - Low-income and disadvantaged community programs
    - Customer assistance programs
    - Utility Underground Districts
  - Promote economic development
  - Include appropriate public goods charges (i.e. surcharge mandated by the Public Utilities Code to generate funds for (i) energy efficiency & conservation, (ii) new investment in renewables and related technologies, (iii) research, development, and demonstration programs to advance science and technology, and (iv) services for low-income electricity customers)
  - Consider additional funding sources (e.g. Renewable Energy Credit sales, Cap & Trade auction proceeds, and Low Carbon Fuel Standard credit sales)

5. Strive to be competitive
   - Continue to be competitive with rates for equivalent customers in neighboring communities

6. Are adjusted based on annual projections
   - Review financial projections, rates, and charges annually
   - Base rate changes on first five years of 10-year financial model results
     - Account for longer-term outlook of the Capital Improvement Plan (CIP) and other planning documents
   - Adjust rates to reflect changes in costs
     - Rate increases should be gradual (slow and steady)
     - No more than 5 percent on average per year, if possible
   - Enact annual rate changes effective July 1, unless otherwise required
   - Provide advance notice to customers

7. Utilize successive five-year rate plans to implement the preceding rate principles.

AYES: President McCormick, Vice President Serventi, Commissioner Giuntini, Commissioner Gould, and City Manager Eric Levitt
NOES: None
ABSENT:

IN WITNESS WHEREOF, I have set my hand on this 22nd day of October 2019.

/S/

____________________ _________________________
Date

Nicolas Procos
Public Utilities Board Secretary