

# Cost of Service / Rate Design Study

City of Crete  
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Presented by:  
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## Overview of Presentation

- Introduction
- Projected Financial Results
- Cost of Service
- Rate Design
- Comparison to Neighboring Utilities
- Recommendations



## Purpose of Study

- Review financial performance of electric utility
- Develop rates that reflect the cost of service and accomplish other goals established by the City
  - Rates that provide sufficient revenues to cover projected operating expenses
  - Rates that reflect the cost of service for each rate class
  - Rates that are competitive with neighboring utilities

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## Projected Financial Results

- Purpose
  - Compare revenues and expenses for current budget and future years through FY 2030
  - Determine need for future rate increases
- On a cash basis, deficit of \$719,000 in FY 2025 increasing to a deficit of approximately \$3.6 million in FY 2030
  - Between now and FY 2030, rates would need to increase 33% to cover projected deficit

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## **Projected Financial Results**

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- Reasons for deficit
  - Increased purchase power expenses, particularly 9% rate increase from MEAN
  - Funding of City's capital improvement plan
  - General cost escalation

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## **Cost of Service**

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- Purpose
  - Determine which rate classes cause the City to incur costs
  - Compare cost of service to revenue under existing rates
  - Determine need for rate changes

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## Cost of Service

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- Findings
  - 7% rate increases needed in FY 2026 and FY 2027
  - Cost of service for customer-related service is \$24.95/month for residential
    - Currently, minimum charge is \$19.50/month

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## Rate Design

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- Goals
  - Long-term financial integrity
  - Fair, reasonable and non-discriminatory rates
  - Competitive rates compared to neighboring utilities
  - Encourage use during low-cost periods
  - Discourage use during high-cost periods
  - Recognize the cost of service for each rate class and season

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## Proposed Rate Design Changes

- Increase the monthly customer charge
  - Existing customer charge does not cover the cost of service
- Reflect cost of service in rate change
  - Next slide shows rate changes for major rate classes and reflect cost of service results

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## Proposed Rate Changes

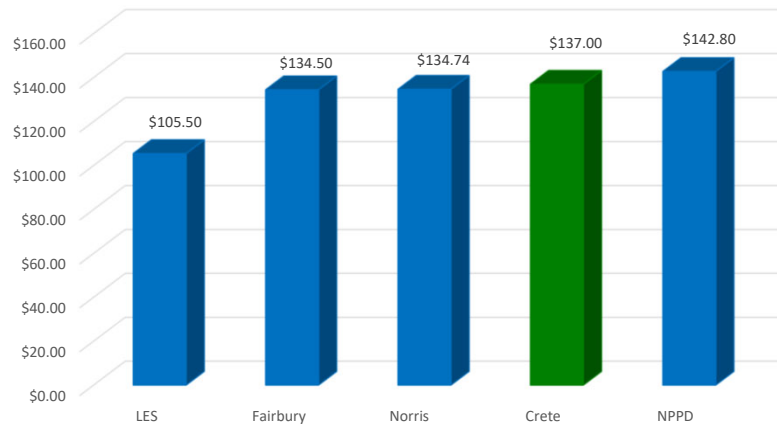
- Residential: 7%
- General Service: 5.8%
- General Service Demand: 6.9%
- Large Power: 7.4%

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## Rate Comparisons - Residential

Summer – 1,000 kWh

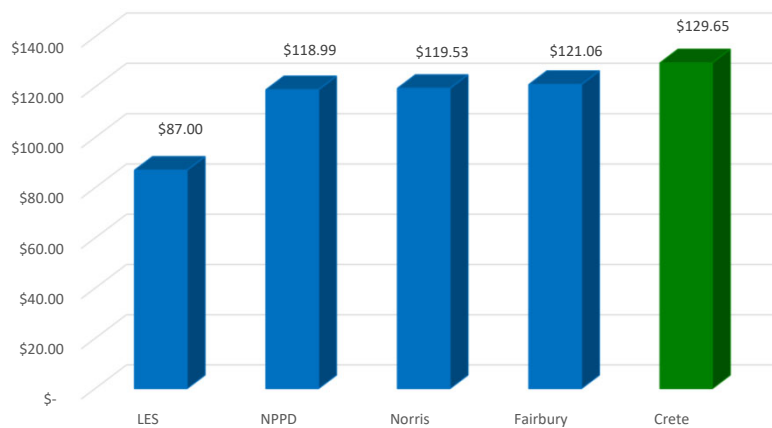


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## Rate Comparisons - Residential

Winter – 1,000 kWh



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## Conclusions

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- Rate increases of 7% in FY 2026 and 7% in FY 2027 are necessary to ensure sufficient revenue to cover projected expenses
- Customer charge is less than the cost of service
- Cost of service indicated following rate changes relative to system average
  - General Service: Lower
  - Large Power: Higher
  - Residential / General Service Demand: Close to system average

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## Recommendations

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- Adopt rate ordinance in Appendix A to implement a 7% rate increase on January 1, 2026 and 7% rate increase on January 1, 2027
- City should consider implementing 6% rate increases in FY 2028 and FY 2029, depending on cost trends
- Review rates on a regular basis, particularly as purchased power or internal operating costs increase

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## **Contact Information**

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