

# City of Lompoc Electric Department

Draft Electric Cost of Service Study

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# Objectives

- Financial Indicators
  - Debt Coverage Ratio (No debt)
  - Minimum Cash
  - Operating Income
- Review Cost of Service Results
  - Class cost results
  - Customer Charges
- Rate Adjustment Plan

# Significant Assumptions

Fiscal Year	Inflation	Growth	Purchase		
			Power Change	Investment Income	Total Capital improvements
2025	4.0%	2.0%	-2.0%	5.0%	\$ 10,000,000
2026	4.0%	0.0%	4.4%	4.0%	18,850,000
2027	3.0%	0.0%	4.1%	3.0%	15,850,000
2028	3.0%	0.0%	-0.7%	0.5%	13,850,000
2029	3.0%	0.0%	2.7%	0.5%	12,850,000

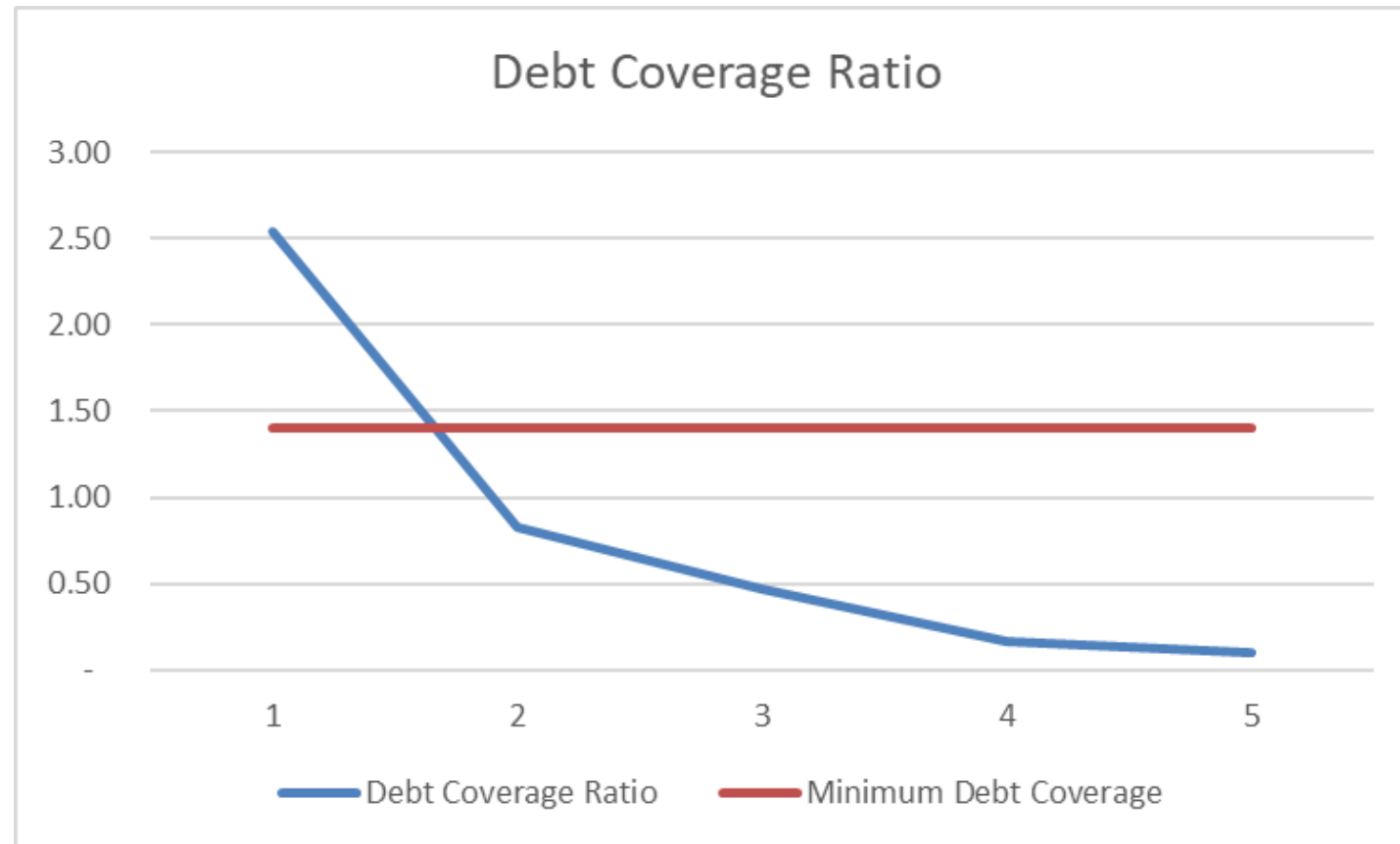
100% of Capital Funded by Debt (20 Years at 6% Interest Rate)

2025 Growth (change in consumption) is for 2023 – 2025

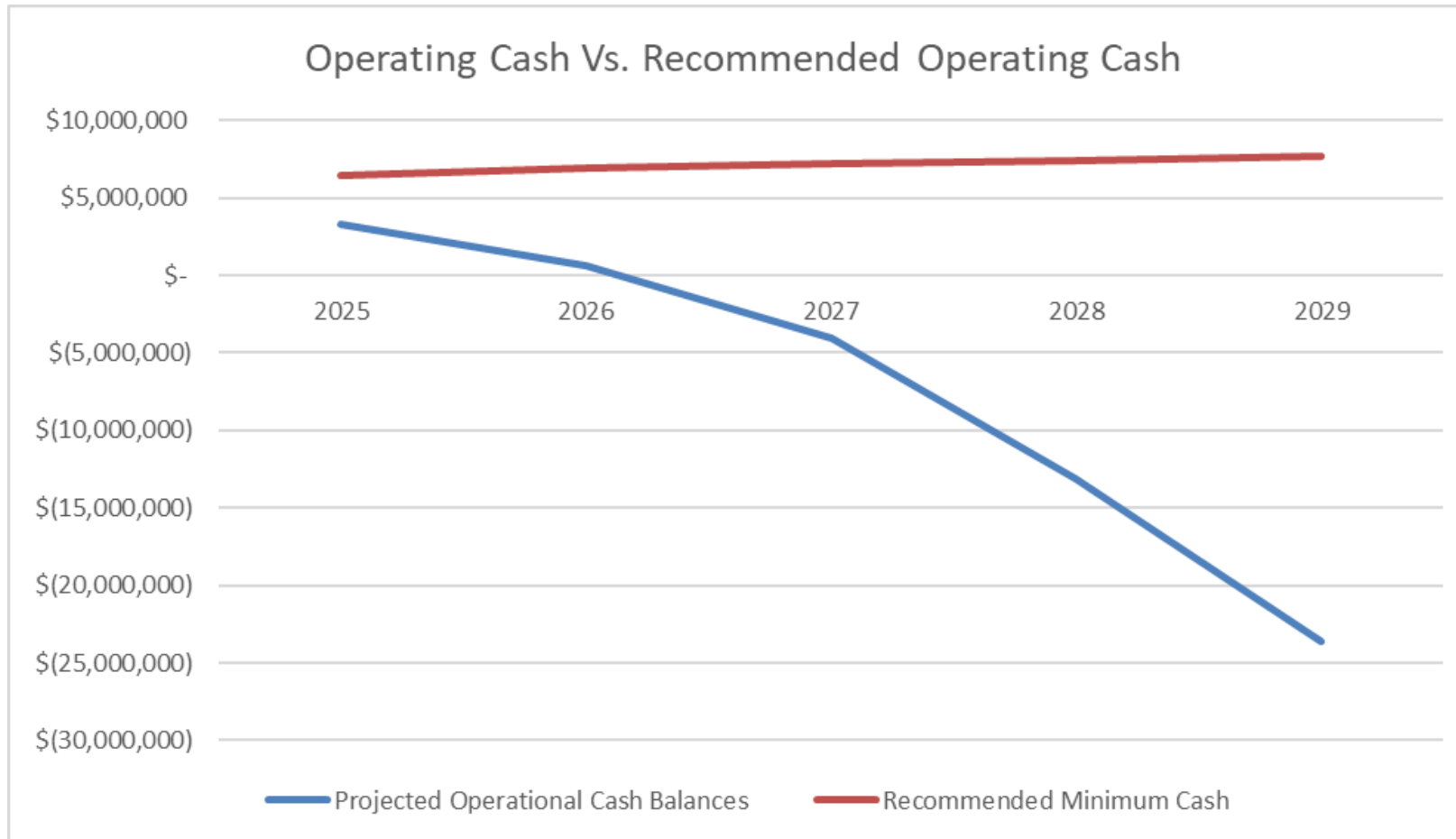
Revenues are based on existing rates (including 30% temporary adjustment)

Power Cost Adjustment mechanism implemented 2025

# Debt Coverage Ratio (no additional rate change)

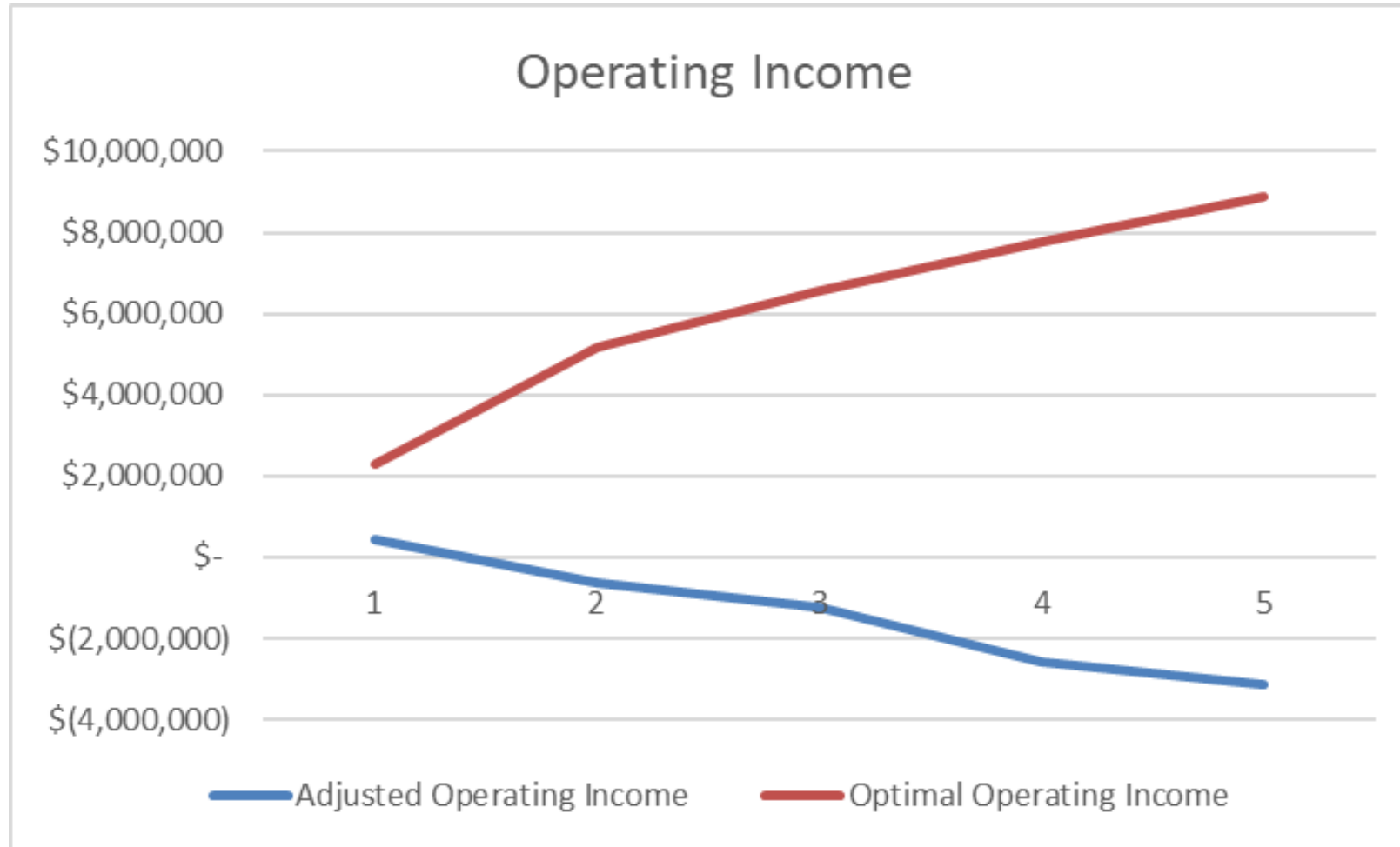


# Minimum Cash Reserves (no additional rate change)



Lompoc has funds at Power Agency (excluded from minimum cash calculation)

# Optimal Operating Income (no additional rate change)



# COS Summary Financial Results

Fiscal Year	Projected Rate Adjustments	Total Capital improvements	Debt Coverage Ratio	Adjusted Operating Income	Optimal Operating Income	Projected Operational Cash Balances	Recommended Minimum Cash
2025	0.0%	\$ 10,000,000	2.54	\$ 434,655	\$ 2,300,512	\$ 3,273,604	\$ 6,470,778
2026	0.0%	18,850,000	1.05	43,957	5,159,451	2,854,029	6,742,266
2027	0.0%	15,850,000	0.66	(467,554)	6,579,930	804,514	6,982,059
2028	0.0%	13,850,000	0.47	(959,150)	7,790,021	(2,757,180)	7,047,717
2029	0.0%	12,850,000	0.36	(1,439,109)	8,882,265	(7,674,908)	7,372,390

# Rate Track (\$5.25M additional staffing over 3 years)

Fiscal Year	Projected Rate Adjustments	Additional Staffing costs not Included in 2025 Budget	Debt Coverage Ratio	Adjusted Operating Income	Optimal Operating Income	Projected Operational Cash Balances	Recommended Minimum Cash
2025	7.0%	\$ -	4.17	\$ 2,519,391	\$ 2,300,512	\$ 5,358,340	\$ 6,470,778
2026	7.0%	2,250,000	2.33	3,686,141	5,159,451	7,089,338	6,908,704
2027	7.0%	250,000	2.07	5,454,298	6,579,930	9,291,484	7,171,983
2028	6.0%	2,750,000	1.79	6,301,134	7,790,021	9,256,343	7,446,764
2029	6.0%	-	1.80	8,075,177	8,882,265	10,009,729	7,656,588

Fiscal Year	Average Residential Monthly Impact	Lompoc Average Residential Bill	PGE Monthly Bill based on Lompoc Average Usage
2025	\$ 4.97	\$ 75.90	\$ 149.97
2026	5.31	81.21	149.97
2027	5.68	86.89	149.97
2028	5.21	92.11	149.97
2029	5.53	97.63	149.97



# Rate Track (\$5.25M additional staffing over 7 years)

Fiscal Year	Projected Rate Adjustments	Additional Staffing costs not Included in 2025 Budget	Debt Coverage Ratio	Adjusted Operating Income	Optimal Operating Income	Projected Operational Cash Balances	Recommended Minimum Cash
2025	5.5%	\$ -	3.82	\$ 2,072,662	\$ 2,300,512	\$ 4,911,611	\$ 6,470,778
2026	5.5%	750,000	2.15	3,186,450	5,159,451	7,175,049	6,797,745
2027	5.5%	750,000	1.79	4,262,766	6,579,930	8,919,734	7,094,682
2028	4.0%	750,000	1.54	4,926,302	7,790,021	9,661,346	7,219,198
2029	4.0%	750,000	1.43	5,649,460	8,882,265	9,684,089	7,488,442

Fiscal Year	Average Residential Monthly Impact	Lompoc Average Residential Bill	PGE Monthly Bill based on Lompoc Average Usage
2025	\$ 3.90	\$ 74.83	\$ 149.97
2026	4.12	78.95	149.97
2027	4.34	83.29	149.97
2028	3.33	86.62	149.97
2029	3.46	90.09	149.97

# Rate Track (no additional staffing)

Fiscal Year	Projected Rate Adjustments	Additional Staffing costs not Included in 2025 Budget	Debt Coverage Ratio	Adjusted Operating Income	Optimal Operating Income	Projected Operational Cash Balances	Recommended Minimum Cash
2025	4.0%	\$ -	3.47	\$ 1,625,933	\$ 2,300,512	\$ 4,464,882	\$ 6,470,778
2026	4.0%	-	1.90	2,475,166	5,159,451	6,524,167	6,742,266
2027	4.0%	-	1.55	3,252,642	6,579,930	8,304,952	6,982,059
2028	4.0%	-	1.39	4,100,711	7,790,021	9,840,621	7,047,717
2029	4.0%	-	1.34	5,013,398	8,882,265	11,424,603	7,372,390

Fiscal Year	Average Residential Monthly Impact	Lompoc Average Residential Bill	PGE Monthly Bill based on Lompoc Average Usage
2025	\$ 2.84	\$ 73.77	\$ 149.97
2026	2.95	76.72	149.97
2027	3.07	79.79	149.97
2028	3.19	82.98	149.97
2029	3.32	86.30	149.97

# COS Summary Results

Customer Class	Cost of Service	Projected Rate Revenue	% Change	Sample Rate Adjustments
General Service (A-1)	\$ 11,124,081	\$ 9,557,342	16.4%	5.1%
Domestic Service (D-1)	20,426,918	11,626,188	75.7%	8.6%
Domestic Service - Mobile Home Park (D-2)	516,998	250,132	106.7%	8.6%
Street Lighting (LS-1)	862,462	682,080	26.4%	5.1%
Customer Owned Lighting (LS-2)	7,698	7,596	1.3%	1.3%
General Service Demand (A-12)	8,155,145	5,930,367	37.5%	7.0%
General Service Econ. Dev. (A-13)	2,524,574	1,728,247	46.1%	7.2%
<b>Total</b>	<b>\$ 43,617,877</b>	<b>\$ 29,781,953</b>	<b>46.5%</b>	<b>7.0%</b>

# Monthly Customer Charges

Customer Class	COS Customer Charge	Current Average Customer
General Service (A-1)	\$ 50.07	\$ -
Domestic Service (D-1)	31.95	-
Domestic Service - Mobile Home Park (D-2)	58.36	-
Street Lighting (LS-1)	264.02	-
Customer Owned Lighting (LS-2)	2.64	-
General Service Demand (A-12)	308.57	151.57
General Service Econ. Dev. (A-13)	308.57	143.96

# Next Steps

## Sample Rate Change

- 7%

## Develop Bandwidth Rates (Rate Adjustment Plan)

- 2% bandwidth
  - Largest increase 9%
  - Smallest increase 5%
- Customer Charges (Residential \$8-\$11)

# Questions?

