

# 2010 BPU Electric Rate Proposal



## Background:

- An outside Cost of Service and Rate Study have recommended an increase in the utility's electric base rates.
- A public hearing process has been initiated to determine what, if any, electric rate increases should be implemented.
- Public forums will be held to discuss rate adjustments, billing processes, fuel cost procedures, and capital improvement projects required to meet the future energy needs of our community.

## What's Being Proposed:

- Studies recommend a 7.0% increase in electric base rates for 2010, 2011, 2012, and 2013.
- Increases will vary among customers groups based on cost of service and usage levels.

## Why This Is Necessary:

- BPU's 50-year old electrical system needs more than \$250 million in capital improvements over the next five years to ensure dependable service.
- Postponing may cause service disruptions and cost even more.
- BPU hasn't raised rates since 2007, with rates well below the national average and lower than most surrounding utilities.
- Inflationary pressure on costs of outside services, materials, and labor are increasing.
- The utility has worked with 20-45 days of operating cash on hand over the last two years (with 60 recommended).
- BPU will not be able to adequately finance capital projects and meet reserve and debt service requirements without additional revenue.
- Without a strong credit rating, BPU won't be able to borrow money for capital improvements at a reasonable rate.

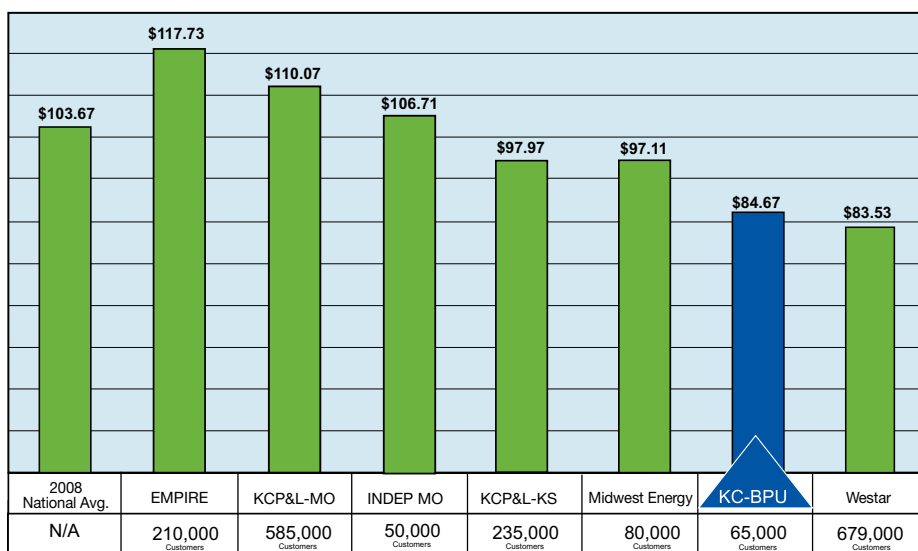
## Impact on Customers:

- Average residential customer's bill will increase only \$4.42 a month in 2010. \* +
- Totals \$1.00 more per month during the winter (8-month cycle) and \$10.00 per month in the summer (4-month cycle), totaling approximately \$50.00 per year.

## BPU: Competitive Rates

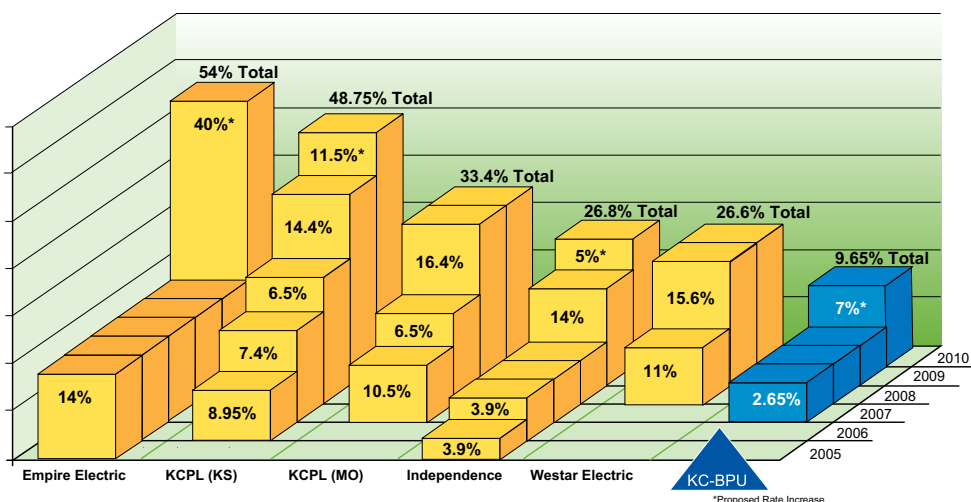
- BPU's electric rates are lower than other surrounding utilities, and well below the national average.
- BPU hasn't increased its rates since 2007 (and then only a 2.65% increase), while other electric utilities have repeatedly proposed and implemented double-digit increases.

### Average Monthly Electric Bill



\*Residential, 920 kWh/yr

## Annual Electric Rate Increases (thru 2010)

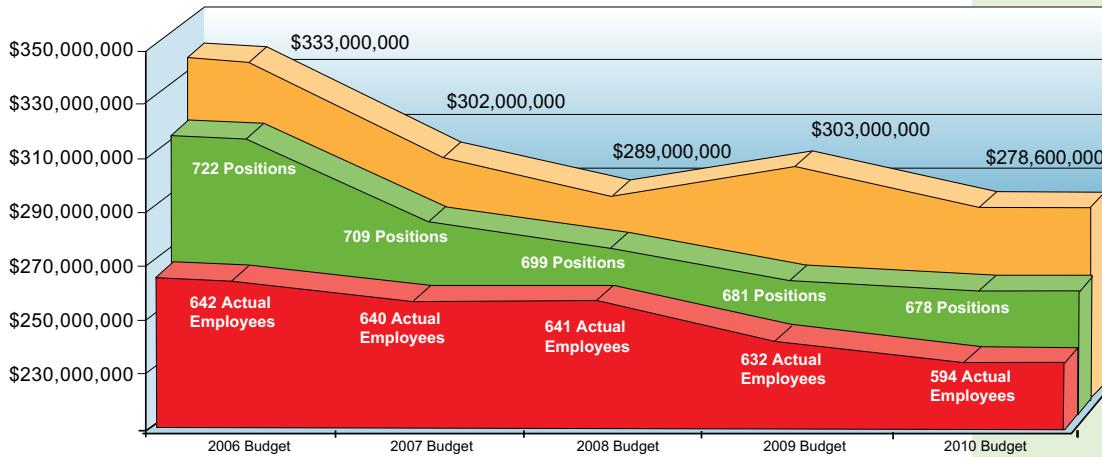


\* Will vary depending on consumption used and customer type.  
+ Revenue increase divided by total number of bills.

## BPU: Fiscal Responsibility

- BPU reduced its budget by \$55 million, and eliminated approved staff positions and the number of actual employees for the last five years in a row.
- This belt-tightening has resulted in new efficiencies and streamlining efforts.
- Eliminated cost-of-living adjustments for all non-bargaining BPU employees in 2010.

**BPU Budget/Staff Position Reductions**



*"Average residential customer bill will increase only \$4.42 per month in 2010, a little more than a dime a day." \* +*

## Critical Capital Improvements Projects: 2010-2014 = \$250 million

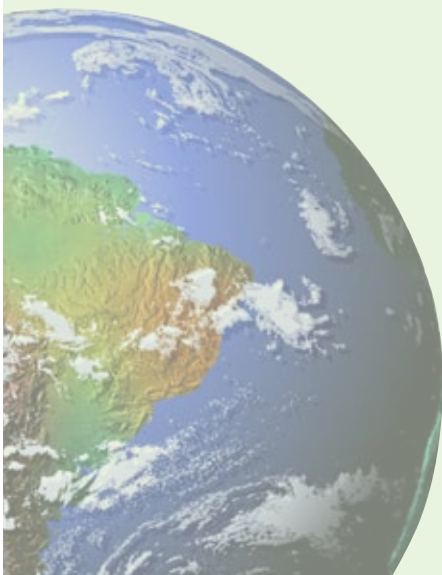
- New combustion gas turbine generator at Nearman = \$74 million
- 40-year old Quindaro power plant upgrades = \$31 million
- 30-year old Nearman power plant upgrades = \$20 million
- New overhead and underground distribution lines = \$56 million
- Electric transmission projects = \$33 million
- Electric substation improvements = \$42 million
- Automated Meter Intelligence (AMI) = \$13 million

## BPU: A Community Asset

- One of the top-ranked publicly-owned utilities in the country, BPU has provided affordable and reliable energy to Wyandotte County for nearly 100 years.
- 65,000 electric customers - 2 active power stations - 29 substations - 3,000 miles of electrical lines - 19,000 street lights - 9,000 traffic signal heads.



\* Will vary depending on consumption used and customer type.  
+ Revenue increase divided by total number of bills.



## An Environmental Surcharge:

- In addition to rate adjustments, an Environmental Surcharge (ESC) is also being proposed to offset new capital improvement requirements resulting from federal, state, and local environmental regulations.
- Determined on an annual basis, the ESC will only be used to recover BPU expenditures for environmental projects. Other utilities already have a similar surcharge, including Westar.

## What's Being Proposed:

- A recent cost of service and rate study recommended an ESC of 1.0 percent in 2010 and an additional 1.6 percent in 2011.

## Why This Is Necessary:

- The federal government recently mandated a reduction of ozone for the Kansas City metropolitan area.
- As a result, BPU is installing new low-nitrogen oxide (NOx) burners with OverFire Air at its Nearman and Quindaro steam turbine units, at a cost of \$40 million.

## Impact on Customers:

- The average residential customer's bill will only fluctuate between an additional 31¢ to 58¢ a month, depending on usage in winter or summer periods.