

NAVFAC Hawaii Electricity Rate Increases FY13 & FY14

**Presented by:
NAVFAC Hawaii
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Agenda



I. Background

II. Current Situation

III. Way Ahead

IV. Questions and Answers

V. Break out

Background



Electricity

- Purchased Electricity from HECO
- ***Dramatic increases*** in Fuel Costs since FY10
 - Asia Market
 - Environmental Requirements

NAVFAC Utility Rates

- Navy Working Capital Fund
 - Rates established to recover full cost
 - Rates adjusted every two years
- Rate structure governed by DoD FMR and budget process
- Stabilized to minimize 'churn' across the Navy

Background



- **NAVFAC Utility Rate Includes:**
 - Purchased electricity cost
 - Navy owned system; maintenance/recapitalization/overhead
 - Surcharge, if applicable
- **A surcharge (up to 6.25%) is added for all non-Defense Federal and private party customers.**
 - **4% (fixed)** to cover depreciation & interest
 - **=< 2.25% (variable)** for government personnel retirement benefits
 - Surcharge rate established annually per FMR Vol 11B, CH 11, Par 110109B

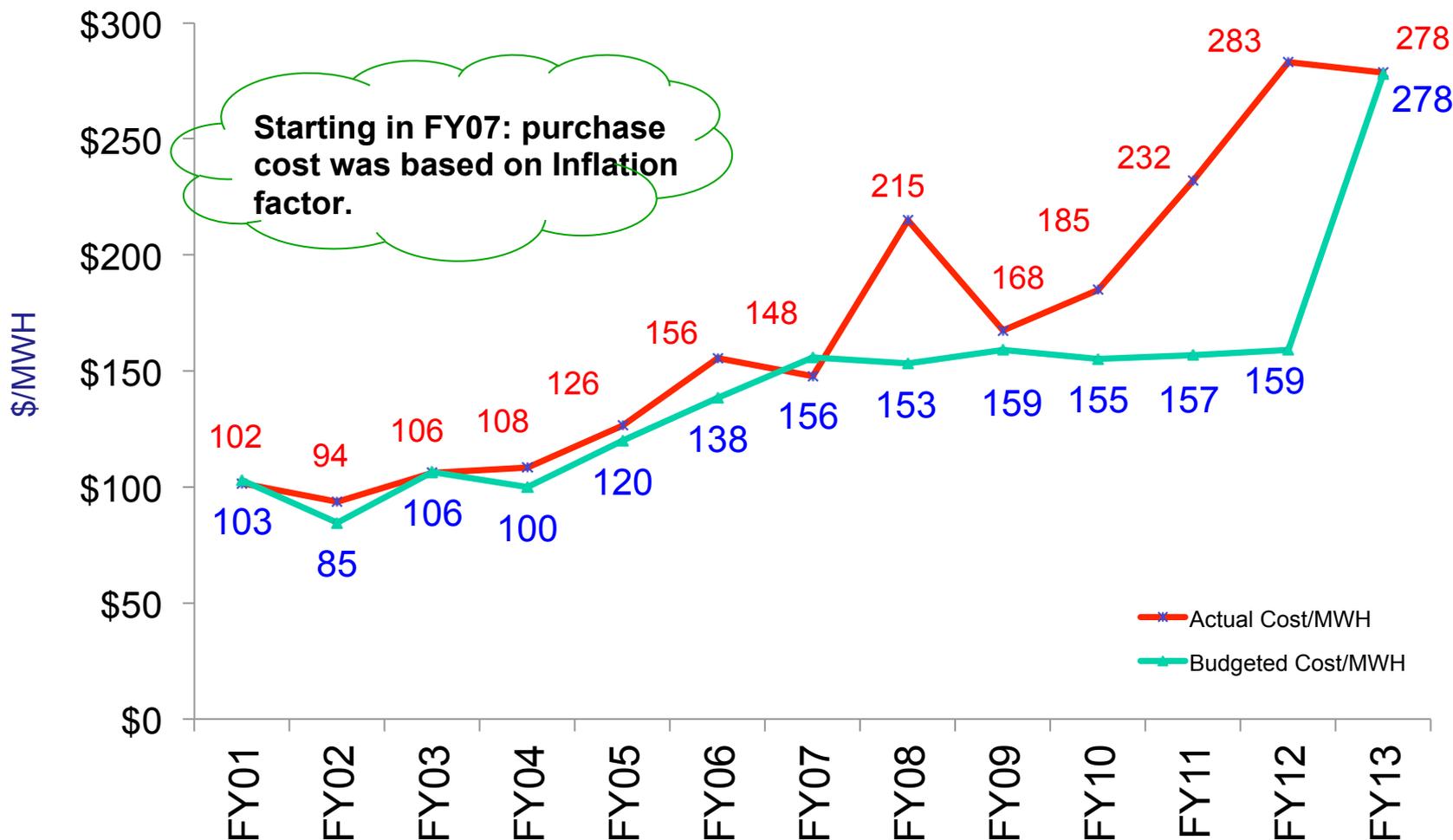
History of Costs and Billing Rates

- **HECO** purchased utility **rate increased 68%** (2008 – 2012)
- **Approved NWCF** billing rate **increased 18%** (2008-2012)
- NWCF has not recovered the full cost of providing electricity for customers.
 - Norm is to recover losses 2 years after the loss is incurred
 - Allow customers the opportunity to adjust budget plans.

Current Situation



Budgeted vs. Actual Purchase Electricity Costs



The budgeted purchased electricity rate used to set utility rate.

Current Situation

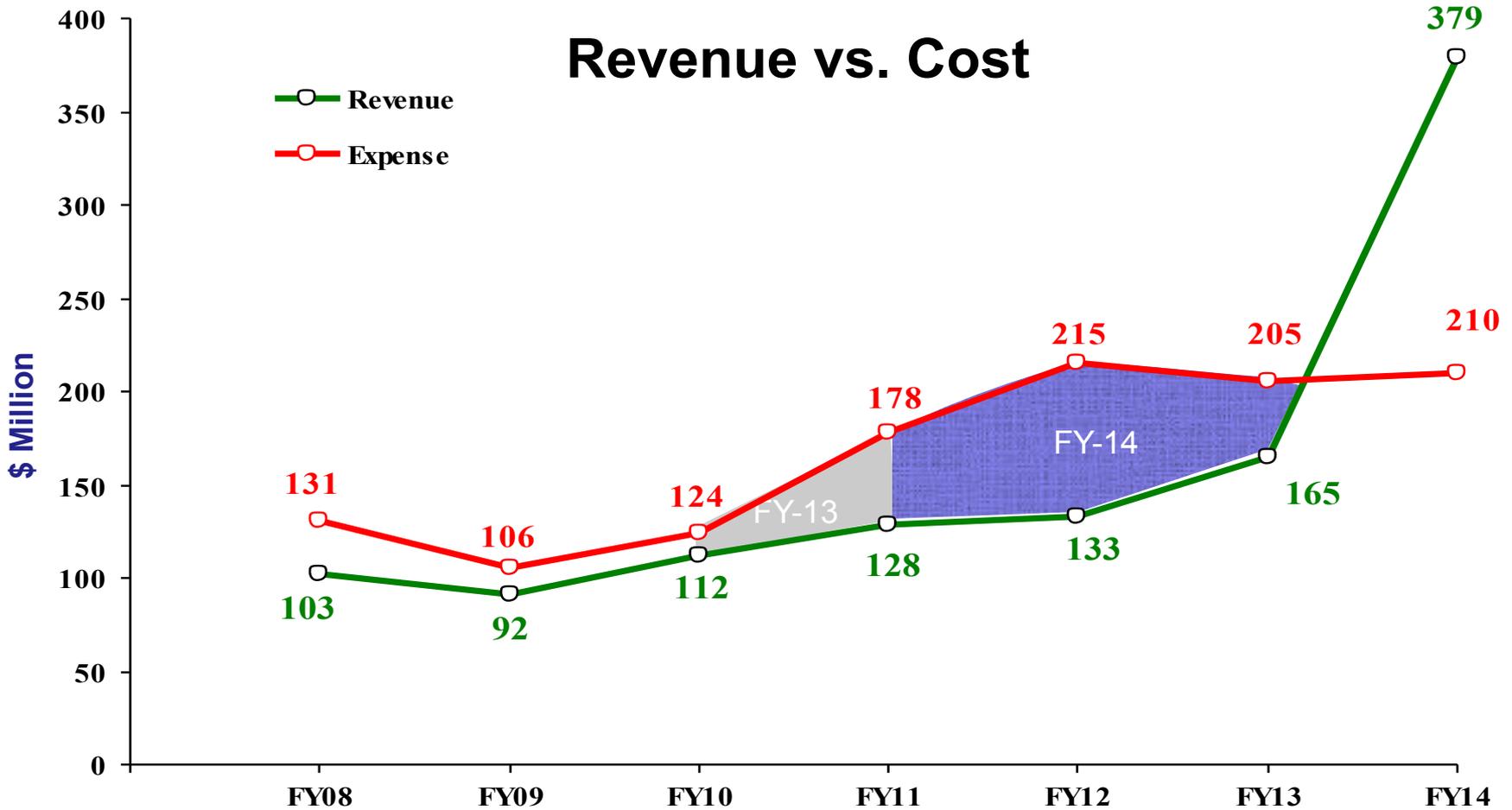


NAVFAC Hawaii (Oahu) annual electricity losses since FY09.

NAVFAC HAWAII ELECTRICITY HISTORICAL DATA (\$M)	
FY	PURCHASED ELECTRICITY LOSS
2009	(\$14.1)
2010	(\$12.6)
2011	(\$49.6)
2012	(\$82.2)
2013 - Budget	(\$40.7)
TOTAL	(\$199.2)

← FY13 Rates recover
← FY14 Rates recover

Current Situation



Plan is to recover losses by end of FY14.

Current Situation



- Full cost (losses) from FY11 through FY13 will be recovered through the DoN budget process.
- **FY14 Rate subject to final approval:**

	FY12 Rate \$/MWH	FY13 Rate \$/MWH	FY14 Rate \$/MWH <i>(estimated)</i>	Increase FY13 to FY14
DoD	202	263	588	123%
Non DoD*	214	280	625	123%

* Based on 6.25% surcharge

Current Situation



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- **FY14 Rate subject to final approval:**

	FY12 Rate \$/MWH	FY13 Rate \$/MWH	FY14 Rate \$/MWH	Increase FY13 to FY14
DoD	202	263	588	123%
Non-DoD Fed	202	264	589	123%
Private Party	214	280	625	123%

NAVFAC Way Ahead



- DoN budget **process on-going** and final approved billing rates are pending.
- Anticipate NAVFAC Hawaii will receive **approved billing rates** after President's Budget is submitted, currently projected for **March**.
- **Letter** will be issued to all customers with final **approved rates**.
- Applicable surcharges will be included.
- **Conservation** will **reduce losses** that **must be recovered** in future years.

Questions & Answers