

Agenda Report

April 20, 2020

SUBJECT: HOLD A PUBLIC HEARING AND APPROVE THE RECOMMENDED CLEAN UP AMENDMENTS TO THE ELECTRIC RATE ORDINANCE AND ADJUSTMENTS TO THE GREEN POWER SERVICE RATE

RECOMMENDATION:

It is recommended that the City Council:

- 1) Find that the Public Hearing for the recommended adjustments to the electric rate structure is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15273 (Rates, Tolls, Fares, and Charges);
- 2) Open a public hearing to receive public comment on the recommended clean up amendments to the electric rate ordinance and adjustments to the green power service rate adjustments to be effective July 1, 2020, or as soon as practicable thereafter:
 - a) Revise the character of service criteria for residential and small commercial customers, as described herein, to eliminate inconsistencies or ambiguities in determining the applicable electric rates; and,
 - b) Amend the Green power service rate to: (i) clarify that customers may elect to have 100% of their metered electric usage served under the Green power service rate in addition to the ability to elect Green power service in 100 kilowatt-hour ("kWh") per month blocks; (ii) reduce the premium from \$2.50 per 100 kWh block to \$1.80 per 100 kWh block, or \$0.018 per kWh; and, (iii) clarify that Pasadena Water and Power ("PWP") will not utilize renewable energy procured to serve Green power service customers for mandatory compliance purposes.
- 3) Direct the City Clerk to report on written comments received from the public;
- 4) Close the Public Hearing;
- 5) Approve the aforementioned recommended electric rate adjustments; and,
- 6) Direct the City Attorney to prepare an amendment to the Light and Power Rate Ordinance ("Ordinance") implementing the changes to the electric rates described herein.

BACKGROUND:

Staff recommends that the City Council authorize the following changes to Pasadena Municipal Code (“PMC”) Chapter 13.04, known as the Light and Power Rate Ordinance:

- Updating “Character of Service Furnished” criteria for Residential and Small Commercial customer classes to address certain situations where Residential customers are currently charged at Small Commercial rates, and likewise where Small Commercial customers are charged at Medium Commercial rates, due to their electric service voltage or having a three-phase service. This is a minor clean-up issue; and,
- Lowering the rate premium for PWP’s optional Green power service to reflect current market rates and to clarify how the energy is procured and utilized by PWP. These changes could result in more participation in this voluntary program in support of the City’s Climate Action Plan and sustainability goals.

This matter was presented to the Municipal Services Committee (“MSC”) as an information item on January 28, 2020. The MSC members were in support of the proposed amendments to the electric rate ordinance and suggested the matter to be presented to the City Council for their consideration.

Rate Applicability and Character of Service Clarifications

The Light and Power Rate Ordinance includes “Applicability” and “Character of Service Furnished” criteria to determine the type of customer service (or “rate schedule”) that applies, for example, “Residential single-family service”, and “Small commercial and industrial service”. Additionally, under each rate schedule the electric rate components such as “Customer Charge”, “Grid Access Charge”, “Distribution Charge”, “Energy Services Charge”, Transmission Services Charge, and similar other charges are stated. In reviewing the Applicability and Character of Service Furnished criteria, staff has discovered ambiguities or contradictions in some terms that can result in residential properties falling into the Small commercial service customer classification, or Small commercial service customers may fall into the Medium commercial service classification. In most, but not all such situations, customers would receive a higher electric bill when they are served at the “upsized” rate schedule.

Staff is recommending that the Residential service criteria be modified to accommodate three-phase electrical services that are common in mixed use, “live-work” permitted spaces, and situations where commercial buildings are converted into residential or mixed use buildings. Such situations have become more prevalent in recent years. Currently, such properties meet the Applicability for Residential service but fall under the Small commercial service criteria for Character of Service Furnished. The overall bill impact for a given customer varies with monthly electricity usage, but typically falls within plus or minus \$25 per month.

Likewise, staff is recommending that the current Character of Service Furnished criteria for Small commercial service be modified to accommodate a wider range of voltages including three-phase, 480,120/208 and 277/480 volt. The minimum demand charge

and higher grid access charge for Medium commercial service can add \$500 to \$700 per month to otherwise lower monthly electric bills for Small commercial service businesses served at higher voltages that are common in larger commercial office buildings and developments.

Although most customers that would benefit from the proposed amendments are already taking electrical service under the more favorable schedule, it is likely that additional customers will be identified that could benefit from reclassification.

Green Power Service Rate Amendments

Since 2002, PWP has offered customers the option to subscribe to the 100% renewable energy “Green power service” defined under PMC Section 13.04.179. This rate schedule enables customers to select Green power service in blocks of 100 kWh per month for a “Green Power Premium” of \$2.50 per 100 kWh block per month. As of December, 2019, a total of 414 customers subscribe to the Green power service option for approximately 9.8 million kWh of energy consumption annually (1% of PWP’s annual retail sales). In calendar year 2019, Green power service revenues were \$244,850.

Staff recommends a reduction in the Green Power Premium to \$1.80 per 100 kWh block, or \$0.018 per kWh, based on current market conditions for renewable energy products and the fact that PWP’s “baseline” energy supply mix for all customers is now comprised of over 33% renewable power resources. Staff further recommends explicitly including the option to select 100% Green power service, applicable to all metered electric consumption, in addition to the option to nominate a fixed number of 100 kWh blocks per month.

Finally, as an additional assurance to customers selecting Green power service, staff recommends including language in the rate ordinance clarifying that energy procured for Green power customers will be consistent with state law and City Council adopted policies with respect to the types of renewable resources procured and how they are utilized by PWP. Specifically, PWP must procure resources that meet the definition of an “Eligible renewable energy resource” as set forth in the Public Utilities Code. The proposed amendments would clarify that PWP shall account for such energy separately from that procured for non-Green power service customers, and that PWP shall not utilize the renewable attributes associated with Green power service procurement for compliance purposes, consistent with PWP’s Renewable Portfolio Standard Procurement Plan and Enforcement Program (see Attachment 2). Furthermore, both the energy and the renewable attributes will be procured together from resources within in the state of California to serve PWP’s Green power service customers.

COUNCIL POLICY CONSIDERATION:

The recommendations are consistent with the City Council’s goals to maintain fiscal responsibility and stability; improve, maintain, and enhance public facilities and infrastructure; and increase conservation and sustainability.

ENVIRONMENTAL ANALYSIS:

The proposed electric rate changes are statutorily exempt from CEQA. Section 15273(a) of the State CEQA Guidelines identifies a statutory exemption for "Rates, Tolls, Fares, and Charges" and states (in part) that:

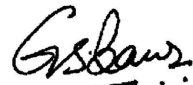
CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or their charges by public agencies which the public agency finds are for the purpose of:

1. Meeting operating expenses, including employee wage rates and fringe benefits,
2. Purchasing or leasing supplies, equipment, or materials,
3. Meeting financial reserve needs and requirements,
4. Obtaining funds for capital projects, necessary to maintain service within existing service areas, or
5. Obtaining funds necessary to maintain such intra-agency transfers as are authorized by city charter.

FISCAL IMPACT:

If the recommended electric rate amendments are approved, staff anticipates a modest potential reduction in net income for the Light and Power Fund over the next six to twelve months. Revenue reductions from the proposed changes to customer class definitions are expected to be less than \$100,000 per year, and are expected to be recovered once these cost are reallocated to the appropriate customer classes in the next electric cost of service study and overall electric rate amendments. Assuming no change in Green power service participation, annual revenues will decrease by approximately \$68,500; however, staff anticipates an increase in participation and overall Green power service revenues with a corresponding increase in renewable energy procurement costs, resulting in a negligible impact on net income.

Respectfully submitted,



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Approved by:



STEVE MERMELL
City Manager

Attachments:

- Attachment 1: Proposed ordinance amendments in redline
- Attachment 2: Procurement and Use of Energy for Green Power Service Customers (RPS Procurement Plan and RPS Enforcement Program excerpts)