



City Council

**Item: 5 Adoption of a Resolution
Establishing New Electric Rate
Schedules for Large Customers**

November 27, 2018



Rate Schedules for Largest Customers:

- **Historically** – Individual Electric Service Agreements (ESAs) with largest customers
 - Align customer and City economic development and corporate goals
 - These customers pay from \$3.5 to over \$25 million per year
- On April 3, 2018, Council delegated authority to City Manager:
 - Negotiate and extend ESAs
 - Create standardized rate tariffs

2



New Rate Tariffs

- Three new standardized rate tariffs designed to:
 - Replace ESAs
 - Yield approximately same revenue for the utility for same usage
- New Rates are voluntary choices for eligible customers
 - Otherwise default to existing industrial rate schedules

3



New Rate Tariffs

- **Schedule CB-6** Large Combined General Service
 - Demand meter customers with more than 5,000 kW/month demand
 - Higher fixed customer charge and significantly higher demand charge
 - Commensurately, the energy charge per kWh is lower
 - Aligns more closely to current wholesale energy market pricing
 - Includes the 2% rate increase for 2019.

4



New Rate Tariffs

- **Schedule CB-7** Large General Service *Market Based Option*
 - For customers eligible under CB-6
 - Same higher fixed and demand charges as CB-6
 - Portion of customer's energy usage
 - Price based on hourly wholesale energy prices over the billing month
 - Customer is taking on the energy pricing risk
 - Limit to 30,000,000 kWh/month served under CB-7
 - Due to additional administrative burden

5



New Rate Tariffs

- **Schedule CB-8** Customer Load Retention
 - For customers eligible under CB-6, but which may cease job-producing operations in the City
 - Loss of customer results in utility fixed cost spread to other existing customers
 - Rate schedule is reduced *up to* 12% for *not more* than 5 years from CB-6 rate
 - Beyond 5 years would require Council approval
 - Tariff design is similar to load retention or economic development rates used by other nearby utilities
 - Limit to 20,000 kW of customer load served under this rate

6



Outreach

- Impacted customers were made aware
 - Intended change to standardized rates
 - March and April 2018
- Held individual meetings
 - Each customer eligible for the new rate
 - Some potential new customers
- Rate Schedules are available on the SVP website



7



Recommendation

- Staff recommends approval of Resolution Establishing New Electric Utility Rate Schedules
 - CB-6 Large Combined General Service
 - CB-7 Large General Service Market Based Option
 - CB-8 Customer Load Retention
- Questions?

8

11/27/18

Item 5

Presentation to the City of Santa Clara City Council
Applied Materials, Inc.
November 27, 2018

Good evening Mayor Gillmore and City Council Members.

I am Jackson Mueller, a consultant with an office at 5092 Scholarship, Irvine California.

I am a consultant representing Applied Materials, Inc., the global leader in materials engineering solutions for the semiconductor, flat panel display, and solar photovoltaic (PV) industries. Applied Materials has manufacturing facilities in Santa Clara, and its world headquarters office is at 3050 Bowers Avenue, Santa Clara.

I am speaking today in favor of today's Agenda Item 18-1235 – Action on Resolution Establishing New Electric Rate Schedules for Large Customers.

Applied Materials has carefully reviewed new rate options and finds the provisions consistent with cost-of-service principles, encouraging energy conservation, and sufficiently detailed for Applied Materials to choose a new rate to begin in 2019.

Of course, we wish that rates were not going up for us all.

Applied Materials encourages City of Santa Clara, Silicon Valley Power to proceed with its Integrated Resource Plan (today's Agenda Item 18-1017) to update its cost-of-serve model and to provide future rates that are cost-based, durable in format, and reflective of principles that enable customers to take risks in exchange for potential savings, such as the new CB-7 Market Based Option.

On behalf of Applied Materials thank you for the opportunity to address this Council.

POST MEETING MATERIAL
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