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Title: Action on Resolution Establishing New Electric Rate Schedules for Large Customers

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Attachments: 1. Resolution Establishing City Electric Utility Rate Schedules CB-6, CB-7, CB-8, 2. Rate Schedule CB-6, 3. Rate Schedule CB-7, 4. Rate Schedule CB-8, 5. POST MEETING MATERIAL, 6. Resolution No. 18-8629

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REPORT TO COUNCIL

SUBJECT

Action on Resolution Establishing New Electric Rate Schedules for Large Customers

BACKGROUND

Over the past twenty years, Silicon Valley Power (SVP) has entered into individual electric service agreements (ESA) with large customers. The ESAs have provided a balance of benefits such as longevity and economic development with market-based rates or rate discounts commensurate with the type of service being provided to these large customers. Customers have also sought different rate structures to match either corporate goals or their atypical load profile. On April 3, 2018, City Council delegated authority to the City Manager to negotiate, assign, and/or extend ESAs, as necessary, until January 31, 2019, while new standardized rate tariffs were designed to meet the needs of both the largest-use customer class and SVP.

DISCUSSION

Rather than continue with a process that requires negotiation of individual rates for large customers, SVP is recommending that City Council enact three new alternative rate schedules that each of the fourteen customers with current ESAs, that will be expiring. These new schedules would yield substantially the same average cost of power these customers are paying under their individual agreements. These are alternative rates schedules that will be available for future customers who meet the qualifications for their appropriate rate schedule. These rate schedules are:

- Schedule CB-6 Large Combined General Service
- Schedule CB-7 Large Combined General Service - Market Based Option
- Schedule CB-8 Customer Load Retention

The prices in these rate schedules, as well as various other provisions, are meant to approximate, for each customer with an ESA, the cost of power that would have been incurred had that ESA been renewed or extended. As the current ESAs expire, those customers will be eligible to transition to the appropriate rate schedule. Customers served under these new rate schedules are very large. Annual bills under these rate schedules are expected to range from more than \$3.5 million per year to more than \$25 million per year. Combined, these customers represent approximately 65% of SVP's total kWh sales.

Schedule CB-6 - Large Combined General Service

This rate schedule is an alternative to existing rates in effect for smaller customers. Large customers who do not choose Schedule CB-6 will otherwise default to the appropriate Schedules CB-1 or Schedule CB-3. CB-6 will be available to customers with demand metering and whose combined demand is more than 5,000 kW. Like existing Schedules CB-1 and CB-3, Schedule CB-6 consists of a monthly Customer Charge, Demand Charge, and Energy Charge. The Customer Charge and the Demand Charge are significantly higher than the current schedules, while the Energy Charge is commensurately lower, and declines with increases in kWh usage. This shift recognizes the importance of each customer making adequate contributions to fixed costs of the utility system.

Schedule CB-7 - Large Combined General Service - Market Based Option

This rate schedule is available to customers eligible for service under Schedule CB-6. Schedule CB-7 rates would be the same as those on CB-6, except that under CB-7, a specified portion of customer's energy usage would be priced based on hourly California Independent System Operator (ISO) energy prices averaged over each billing month. This market-related portion would also be designed to comply with applicable renewable and greenhouse gas reduction regulations. Linkage to market prices would be achieved by calculating the difference between the annualized unit cost of ISO purchases reflected in SVP's budget and the average of ISO prices in the applicable billing month. This difference would be applied to the applicable energy usage and shown as a line item on the customer's bill. All other provisions of Schedule CB-7 would be the same as Schedule CB-6.

This rate, while fulfilling the needs of certain customers, also requires extensive administrative activity to maintain. Thus, at this time, SVP proposes to limit the total amount of load that might be served under CB-7 to 30,000,000 kWh. Customer will apply for CB-7 at least 30 days before the start of a month in which they wish to be placed on the CB-7 rate; applications will be taken on a first come, first serve basis and may be pro-rated among applicants in any given month. Once a customer has selected this option, that customer must continue with this option for at least one year.

Schedule CB-8 - Customer Load Retention

This rate schedule is available to customers eligible for service under Schedule CB-6, who, but for the provisions of this rate schedule, would cease operations in the City of Santa Clara, and would not engage in any substantially similar operation in the State of California for a period of at least five years. As a threshold matter, loss of any large customer means that SVP's fixed costs must be spread over a smaller sales base than would otherwise exist. Large users can also be significant employers and provide diversity in the types of large businesses in Santa Clara.

CB-8 customers' bills, under their applicable rate schedule, will be reduced by up to 12% for a period

of not more than five years. The effective percentage reduction and period of that percentage reduction, will be as approved by the Chief Electric Utility Officer.

While other nearby California utilities currently have similar Load Retention or Economic Development rate schedules, SVP has limited experience with applying these parameters. Thus, SVP proposes to limit the total amount of load that might be served under CB-8 to 20,000 kW, at this time. Service under this schedule would also be limited to five years. Any extension beyond five years would require SVP to show how an extension beyond five years would directly benefit other SVP customers, and the extent to which the City, or other Santa Clara residents and businesses, would benefit from such extension. Such an extension would require Council approval of the rate schedule.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

FISCAL IMPACT

Minimal fiscal impact is expected as the new rate schedules are estimated to result in similar revenue generation from customers transferring to the new rate schedules from existing ESAs if their electric demand and usage remained unchanged.

COORDINATION

This report has been coordinated with the Finance Department and the City Attorney’s Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Adopt a Resolution of the City of Santa Clara Establishing City Electric Utility Rate Schedules CB-6, CB-7 and CB-8.

Reviewed by: John C. Roukema, Chief Electric Utility Officer

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Resolution Establishing City Electric Utility Rate Schedules CB-6, CB-7, CB-8
2. Rate Schedule CB-6
3. Rate Schedule CB-7
4. Rate Schedule CB-8