



Agenda Report

21-1067

Agenda Date: 11/16/2021

REPORT TO COUNCIL

SUBJECT

Action on a Resolution Amending Rate Schedules for Electric Service for All Classes of Customers, Effective January 1, 2022

COUNCIL PILLAR

Deliver and Enhance High Quality Efficient Services and Infrastructure

BACKGROUND

The City of Santa Clara's Electric Utility, Silicon Valley Power (SVP), is proposing a rate increase of 3% for all classes of customers, effective January 1, 2022 (Bill Cycle 716). SVP's biennial budget for FY21-22 and FY22-23 assumed a 3% rate increase effective January 2022. The budget, with this assumption, was approved by the City Council on June 22, 2021 and this proposed action is to implement the existing Council direction.

Electric Utility staff have reached out to the Energy Task Force (large customers), school districts, numerous individual customers, City news and SVP news subscriptions by way of GovDelivery. Staff also has provided information via social media: Nextdoor, Twitter and Facebook. The rate increase notice will be published in the Outlet Newsletter that is mailed to all commercial customers.

DISCUSSION

The proposed 3% rate increase is needed to cover the increased cost of generating and delivering power to SVP customers including:

- Transmission access charges that apply to all electric energy that SVP receives via the PG&E transmission system. PG&E's electric transmission rate has tripled over the past 10 years and more stringent wildfire safety requirements and significantly higher insurance costs are expected to continue to add to the rise in these charges.
- Additional renewable energy and reliability requirements that have been legislated.
- Additional energy storage and load shaping required to integrate a higher level of renewable energy while maintaining system resiliency.
- Continuing upgrades and maintenance of distribution infrastructure required to maintain SVP's high service reliability.
- Increase mandated wildfire mitigation activities and increase insurance premiums.

As noted above, one of the main purposes of the rate increase is to maintain SVP's infrastructure and overall system. The rate increase will add approximately \$1.3 million a month, and the funding is needed to be able to maintain and provide the current level of service.

Rate increases are needed to:

- Purchase and produce the power to meet the City's needs.
- Proactive maintenance of the generation (power plants) and distribution and transmission system (poles and wires) to maintain SVP's high reliability.
- Proactive tree maintenance to minimize tree related outages.
- Offset inflationary pressure on basic goods and services.

Staff has taken every opportunity to partially offset these costs including: selling renewable energy credits and greenhouse gas allowances that are not needed in the near term to achieve the City Council's sustainability policy objectives for SVP; selling excess local Resource Adequacy to other utilities and community choice aggregators; applying for COVID-19 Economic Relief funding for which the utility is eligible; and reduced cost through debt management and competitive bidding. SVP's mission of providing reliable power citywide is dependent on having sufficient cash flow to meet the City's needs. SVP provides a rate assistance program for low-income consumers and also developed a rate assistance program for those financially affected by COVID-19. SVP has also launched an energy efficiency grant program for small business impacted by COVID and continues to offer various energy efficiency rebates.

Average Cost of Rate Increase

The proposed increase also reflects a strategy to increase rates gradually. Rates were increased by 2% in 2019, 3% in 2020, and 3% in 2021. The intent is to provide relatively small and predictable increases that customers, both large and small, can plan for and to maintain the system.

For an average residential electric customer (averaging 460 kilowatt hours per month in FY20-21), with the proposed 3% increase the customer's electric bill will increase by approximately \$1.77 per month (from \$59.27 to \$61.04) or \$21.24 a year. Residential bills for higher or lower usage levels will be proportionately larger or smaller. For customers who have difficulty absorbing these increases, SVP continues to offer assistance to low-income customers and energy conservation programs and rebates to help customers reduce their electricity usage.

Staff proposes that rates and charges for all classes of customers be increased on a uniform percentage basis because the underlying cost increases reflected in this rate increase proposal are incurred on behalf of all classes of existing customers. The cost of hooking up new customers is recovered separately in connection fees that SVP charges to each new customer and to existing customers with new loads subject to load increase fees.

Comparison to PG&E

With the proposed increase, SVP will continue to have the **lowest system average rates in California** (for utilities with more than 10,000 customers), based on U.S. Energy Information Administration's Annual Electric Power Industry Report (Form EIA-861 for 2020), and SVP's rates will remain significantly below PG&E's current rates:

SVP Proposed Rates Below
Current (08-01-21) PG&E Rates

Residential	53%
Small Commercial	29%
Large Commercial	40%
Small Industrial	32%
Large Industrial	26%

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)(4) in that the rate adjustment is a funding mechanism which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

FISCAL IMPACT

The rate increase is anticipated to generate approximately \$7.2 million in Fiscal Year 2021/22 and \$16 million annually thereafter. The additional revenues are included in the FY 2021/22 and FY 2022/23 Biennial Operating Budget in the Electric Utility Operating Fund. Revenue increases in the out years will be incorporated into the budget development process for those years.

COORDINATION

This report has been coordinated with the Finance Department and 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>>.

In addition, Electric Utility staff have reached out to the Energy Task Force (large customers), school districts, numerous individual customers, and media representatives. Staff also has provided information via social media: Nextdoor, Twitter and Facebook.

RECOMMENDATION

Adopt a Resolution amending Rate Schedules for Electric Services for all classes of customers, effective January 1, 2022.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer
Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Resolution
2. Proposed 2022 Rates -Sched A
3. Proposed 2022 Rates -Sched C-1
4. Proposed 2021 Rates -Sched CB-1

5. Proposed 2022 Rates -Sched CB-3
6. Proposed 2022 Rates -Sched CB-6
7. Proposed 2022 Rates -Sched CB-7
8. Proposed 2022 Rates -Sched CB-8
9. Proposed 2022 Rates -Sched D-1
10. Proposed 2022 Rates -Sched IC
11. Proposed 2022 Rates - Sched NM
12. Proposed 2022 Rate - Sched PA-E
13. Proposed 2022 Rates - Sched SB-1
14. Proposed 2022 Rates -Sched SL-1
15. Proposed 2022 Rates -Sched SL-2
16. Proposed 2022 Rates -Sched TC
17. Proposed 2022 Rates -Sched TS-1