



RESOLUTION NO. _____

BOARD LETTER APPROVAL

Ann M. Santilli
Ann M. Santilli (Feb 13, 2025 11:58 PST)

ANN M. SANTILLI
Chief Financial Officer

David W. Hanson
David Hanson (Feb 13, 2025 15:33 PST)

DAVID W. HANSON
Senior Assistant General Manager
Power System

Janisse Quiñones

JANISSE QUIÑONES
Chief Executive Officer and Chief Engineer

DATE: February 10, 2025

SUBJECT: Energy Cost Adjustment Expenditures for the 12-Month Period
Commencing April 1, 2025

SUMMARY

The attached Resolution approves expenditures for inclusion in the Energy Cost Adjustment (ECA) for the 12-month period commencing April 1, 2025. ECA is one of the rate components that recover costs of providing electric service to customers. These costs include fuel, non-renewable purchased power, energy efficiency, and the production and acquisition of power from renewable resources.

City Council approval is not required.

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners (Board) adopt the attached Resolution authorizing fuel, purchased power, Demand-Side Management (DSM), and Renewable Portfolio Standard (RPS) expenditures for the 12-month period commencing April 1, 2025.

FINANCIAL INFORMATION

If the attached Resolution is approved, compared against the current quarter, the median residential customer's electric bill (300 kilowatt-hours [kWh] per month) for the quarter commencing April 1, 2025, will be higher by an average of 4.47 percent, or \$1.41 per month, or \$0.00469 per kWh. The variance against the current quarter is mainly due to an increase in Non-Renewable Purchased Power expense, a decrease in the credit balance of the Variable Energy Adjustment (VEA) balancing account, an increase in the Variable Renewable Portfolio Standard Energy Adjustment (VRPSEA) balancing account, and a decrease in forecasted retail sales (kWh).

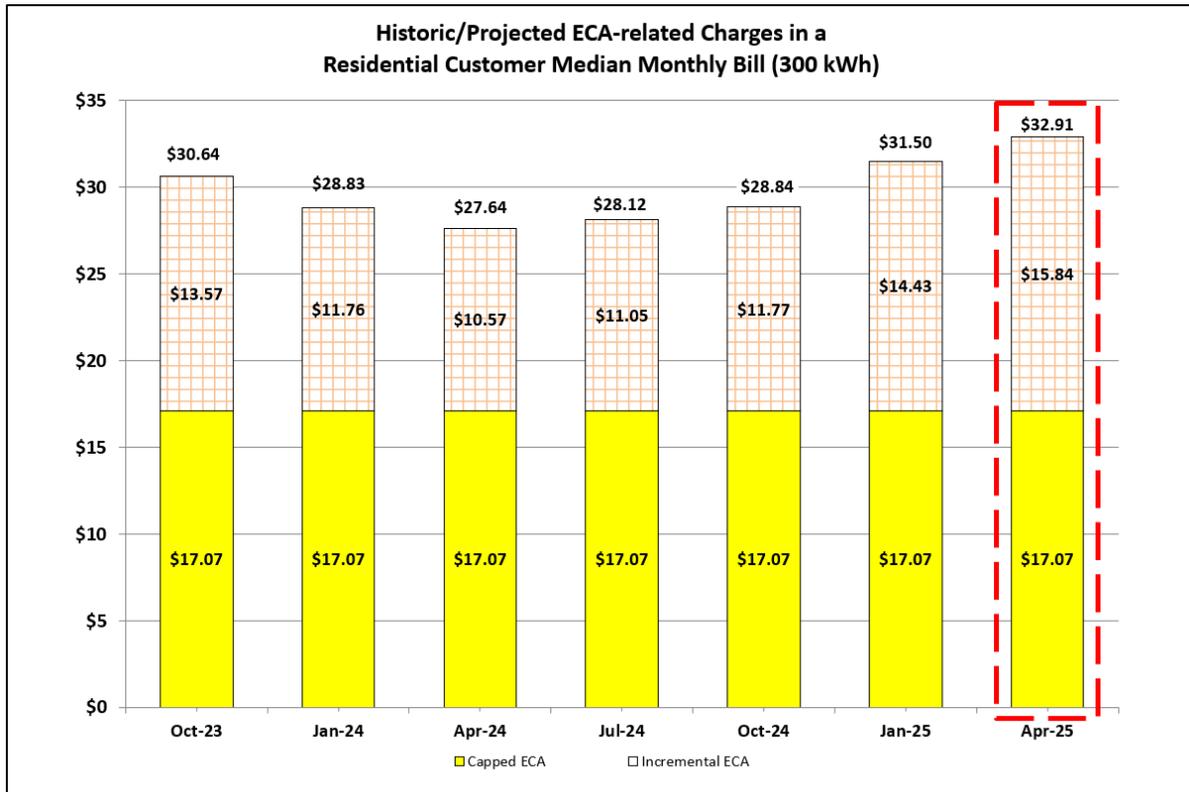
Electric Rate Ordinance No. 168436, as amended (Ordinance), and the Incremental Electric Rate Ordinance No. 184133 state that the Energy Cost Adjustment Factor (ECAF), VEA Factor, Capped Renewable Portfolio Standard Energy Adjustment (CRPSEA) Factor, and the Variable Renewable Portfolio Standard Energy Adjustment (VRPSEA) Factor shall be calculated four times a year, and each such calculated factor shall take effect on January 1, April 1, July 1, and October 1, respectively. The ECAF calculated with the expenditures approved in this Resolution and the associated incremental factors take effect on April 1, 2025. In accordance with the two Ordinances, the next quarterly factors update would be effective July 1, 2025.

Composite ECAF (Proposed vs. Prior Quarter)

For the three-month period commencing April 1, 2025, the composite ECAF applied to actual billing of customers will be \$0.10968 per kWh, as shown in the table below, if the Resolution is approved. Calculations of the four factors that make up the composite factor and supporting detail are included in Schedules A, B, C, and D as Attachment B. This increase of \$0.00469 per kWh will result in an increase of \$1.41 per month for the median residential customer.

| Schd. | Energy Cost Adjustment Factors (\$/kWh) | Proposed Apr - Jun 2025 | Prior Quarter Jan - Mar 2025 | Variance |
|--------------|---|------------------------------------|---|-----------------|
| A.1 | <u>Ordinance No. 168436, as amended</u> Capped Energy Cost Adjustment Factor | \$0.05690 | \$0.05690 | \$0.00000 |
| A.2 | <u>Incremental Ordinance No. 184133</u> Variable Energy Adjustment Factor | \$0.00612 | \$0.00439 | \$0.00173 |
| A.3 | Capped RPS Energy Adjustment Factor | \$0.01372 | \$0.01279 | \$0.00093 |
| A.4 | Variable RPS Energy Adjustment Factor | \$0.03294 | \$0.03091 | \$0.00203 |
| A.4 | Composite Energy Cost Adjustment Factor | \$0.10968 | \$0.10499 | \$0.00469 |

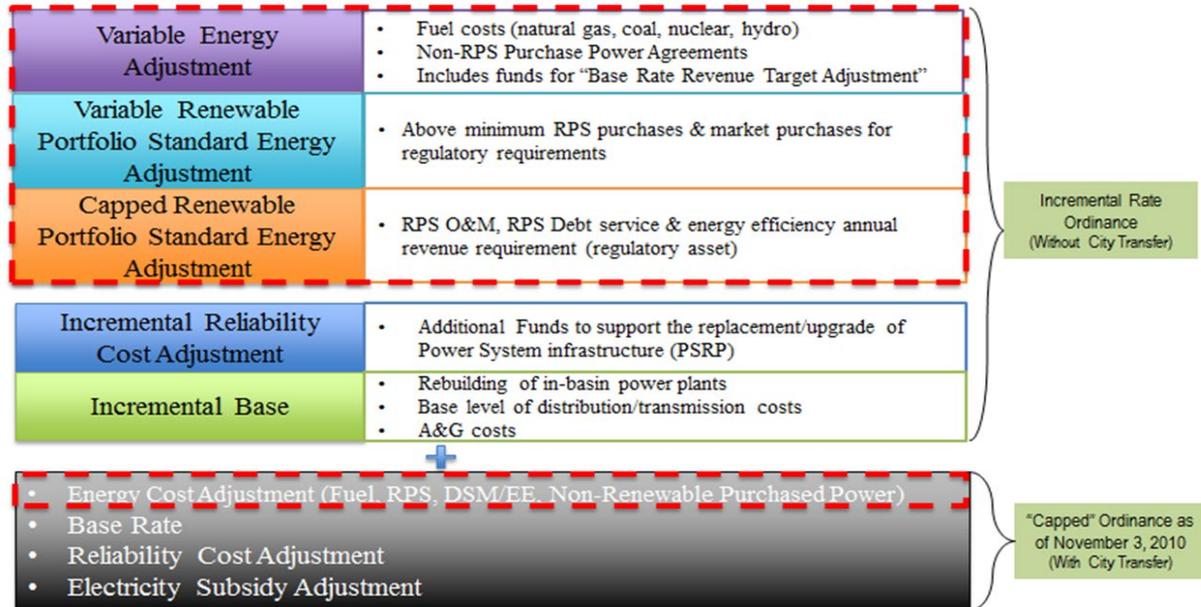
The following chart shows the trend of the historic/projected ECA-related charges in a residential customer median monthly bill (300 kWh).



BACKGROUND

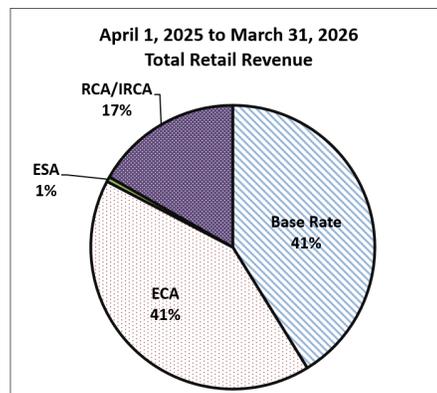
Overview of Electric Rates and ECAF Charges

The current electric rate structure includes a “capped” and incremental rate ordinance.



The expenditures that are proposed to be approved under this Board package will impact the charges shown in the dashed boxes of the figure above, which are collectively referred to as the ECAF charges. Further description of the ECAF-related adjustment factors is provided in Attachment A.

The pass-through adjustments shown in the top dashed box, which include the VEA, CRPSEA, and VRPSEA, along with the “capped” ECA, will provide approximately 41 percent of the total retail revenue for the Power System, as shown in the lower box. The remaining revenue comes from base rates, the fixed Electric Subsidy Adjustment, the Reliability Cost Adjustment, and the Incremental RCA.



The Ordinance specifies that Board approval of the estimated fuel, purchased power, DSM, and RPS expenditures for the 12-month period commencing April 1, 2025, is required for inclusion of those expenditures in the calculation of the quarterly ECA to be effective April 1, 2025.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060 (c)(3). In accordance with Section 15060 (c)(3) of the CEQA Guidelines, an activity is not subject to CEQA if it does not meet the definition of a project in Section 15378. Section 15378 (b)(4) states that governmental fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment do not meet the definition of a project. Therefore, the approval of the listed expenditures for ECA is not an action subject to CEQA.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution as to form and legality.

ATTACHMENTS

- Resolution
- Attachment A - Description of ECAF-Related Rate Components
- Attachment B - Schedules A, B, C, and D