



AGENDA SUMMARY REPORT

SUBJECT: The City Council will Consider Changes to the Power Cost Surcharge Rider by Resolution.

DEPARTMENT: Electric Utility

PREPARED BY: Cindy Sauers, Electric Utility Director

PRESENTER: Cindy Sauers, Electric Utility Director

ATTACHMENTS:

None

Summary: Council will consider adopting a Resolution amending the Utility's Power Cost Surcharge Rider. The tool is designed to provide temporary rate adjustments to compensate for greater-than-normal fluctuations in energy costs. The Surcharge is based on the energy portion (kWh) of customers' bills and will be adjusted up or down as energy prices change. The proposed amendment simply increases the frequency of the calculated adjustments from bi-annual to quarterly and includes a factor for delayed billing.

Background: On August 17, 2022, Council approved the Electric Utility's Power Cost Surcharge Rider (PCS). The PCS was implemented to mitigate the increased expense and volatility associated with procuring energy resources. It is applied to every kilowatt hour (kWh) that is sold and is based on actual power costs. The PCS, as originally written, was to be adjusted, up or down, every six months. Billing of the PCS began in October 2022.

Since the Council's approval in August, energy prices have become even more volatile and unpredictable. Comparisons of December natural gas prices reflect an increase of 432% from 2021. This volatility has to do with gas transmission outages as well as reduced storage in the Pacific Northwest. Low precipitation levels prior to January also played a role in the high cost of energy because reservoir levels were only at 50% of normal years, resulting in reduced hydroelectric generation. See Attachment 1 for a presentation on energy market conditions.

Discussion: Projections for the California energy market continue to be higher than average and are expected to remain volatile. Although recent precipitation is encouraging and natural gas prices have decreased some, uncertainty still remains. The proposed amendment to the PCS (Attachment 2) increases the frequency of recalculation to quarterly and adds an adjustment for delayed billing. These amendments will ensure the Utility is recovering the difference between the budgeted and actual energy costs in a more timely manner. The value of the PCS can be positive or negative and is calculated based on the actual cost to the utility. As power costs decrease, the PCS will decrease and customer bills will be reduced. If approved, implementation of the amended PCS for quarterly adjustments will begin on March 1, 2023.

In accordance with Ukiah City Code Division 4, Chapter 6 Sections 3950 through 3957, the City Council will hold a public hearing on February 1, 2023, to receive the City Manager's Report and consider approval, by resolution, of modifications to the Power Cost Surcharge Rider. The Agenda Summary Report and the City Manager's Report are to be considered the same report and may be amended as necessary.

Staff recommends adopting the Resolution (Attachment 3) amending the Power Cost Surcharge Rider.

Recommended Action: Approve Resolution modifying the Power Cost Surcharge Rider.

BUDGET AMENDMENT REQUIRED: No.

CURRENT BUDGET AMOUNT: N/A

PROPOSED BUDGET AMOUNT: N/A

FINANCING SOURCE: N/A

PREVIOUS CONTRACT/PURCHASE ORDER NO.: N/a

COORDINATED WITH: Sage Sangiacomo, City Manager; Dan Buffalo, Finance Director

DIVERSITY-EQUITY INITIATIVES (DEI):

CLIMATE INITIATIVES (CI):

Approved:


Sage Sangiacomo, City Manager

Market Conditions Update February 1, 2023

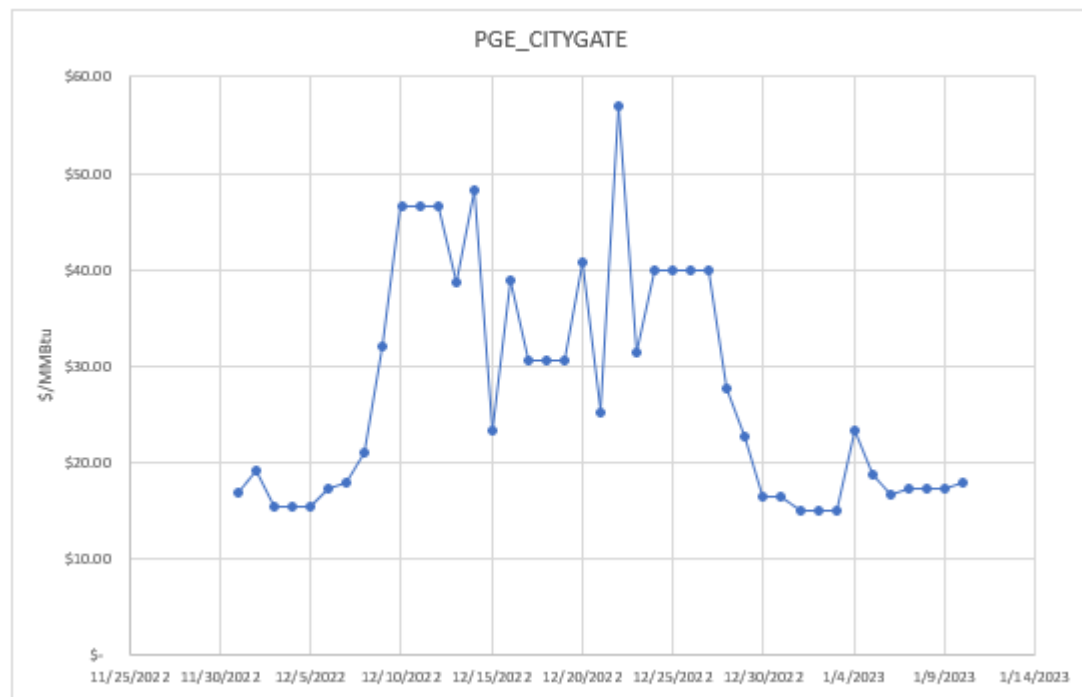
Market Conditions

OPR_DATE PGE_CITY

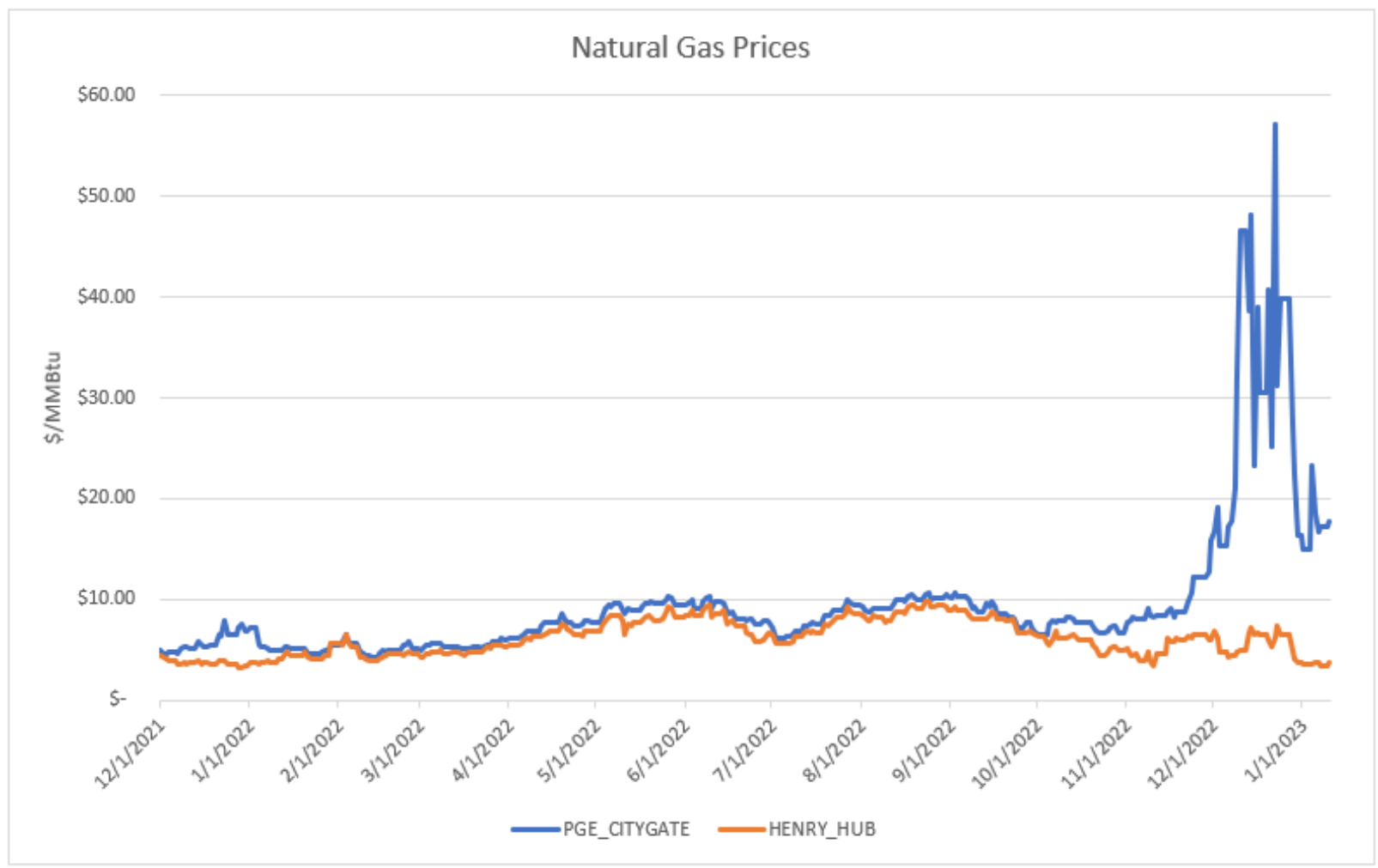
12/1/2022	\$ 16.80
12/2/2022	\$ 19.20
12/3/2022	\$ 15.25
12/4/2022	\$ 15.25
12/5/2022	\$ 15.25
12/6/2022	\$ 17.17
12/7/2022	\$ 17.80
12/8/2022	\$ 20.96
12/9/2022	\$ 32.03
12/10/2022	\$ 46.59
12/11/2022	\$ 46.59
12/12/2022	\$ 46.59
12/13/2022	\$ 38.59
12/14/2022	\$ 48.17
12/15/2022	\$ 23.29
12/16/2022	\$ 38.92
12/17/2022	\$ 30.49
12/18/2022	\$ 30.49
12/19/2022	\$ 30.49
12/20/2022	\$ 40.69
12/21/2022	\$ 25.24
12/22/2022	\$ 57.07
12/23/2022	\$ 31.28
12/24/2022	\$ 39.84
12/25/2022	\$ 39.84
12/26/2022	\$ 39.84
12/27/2022	\$ 39.84
12/28/2022	\$ 27.67
12/29/2022	\$ 22.61
12/30/2022	\$ 16.32
12/31/2022	\$ 16.32
1/1/2023	\$ 14.90
1/2/2023	\$ 14.90
1/3/2023	\$ 14.90
1/4/2023	\$ 23.30
1/5/2023	\$ 18.67
1/6/2023	\$ 16.67
1/7/2023	\$ 17.17
1/8/2023	\$ 17.17
1/9/2023	\$ 17.17
1/10/2023	\$ 17.81

Average PGE_CITYGATE Natural Gas Price

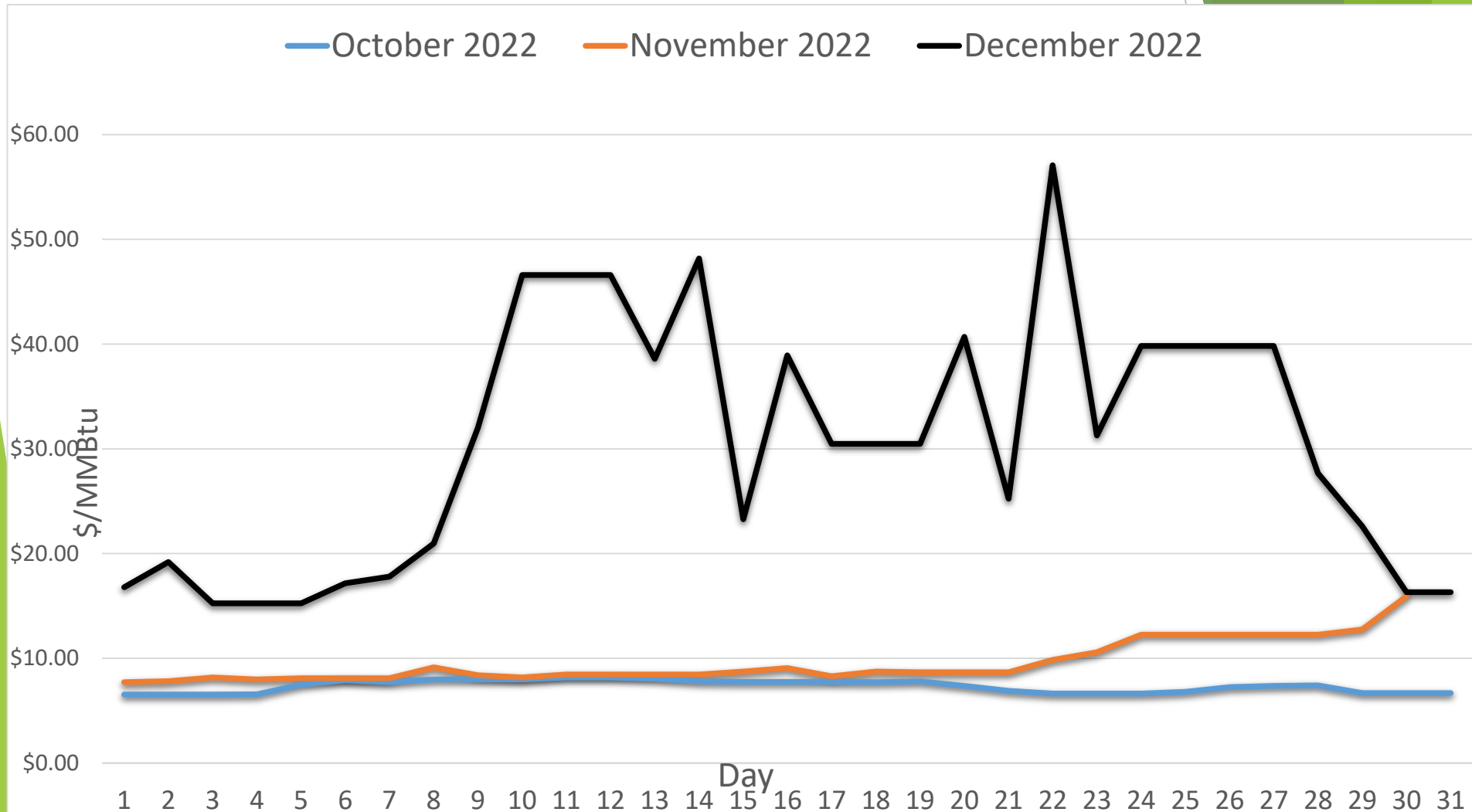
Dec 2021	Dec 2022	Delta	Delta
(\$/MMBtu)	(\$/MMBtu)	(\$/MMBtu)	(%)
\$ 5.74	\$ 30.53	\$ 24.79	432%



Market Conditions



December 2022 Daily PG&E City Gate Gas

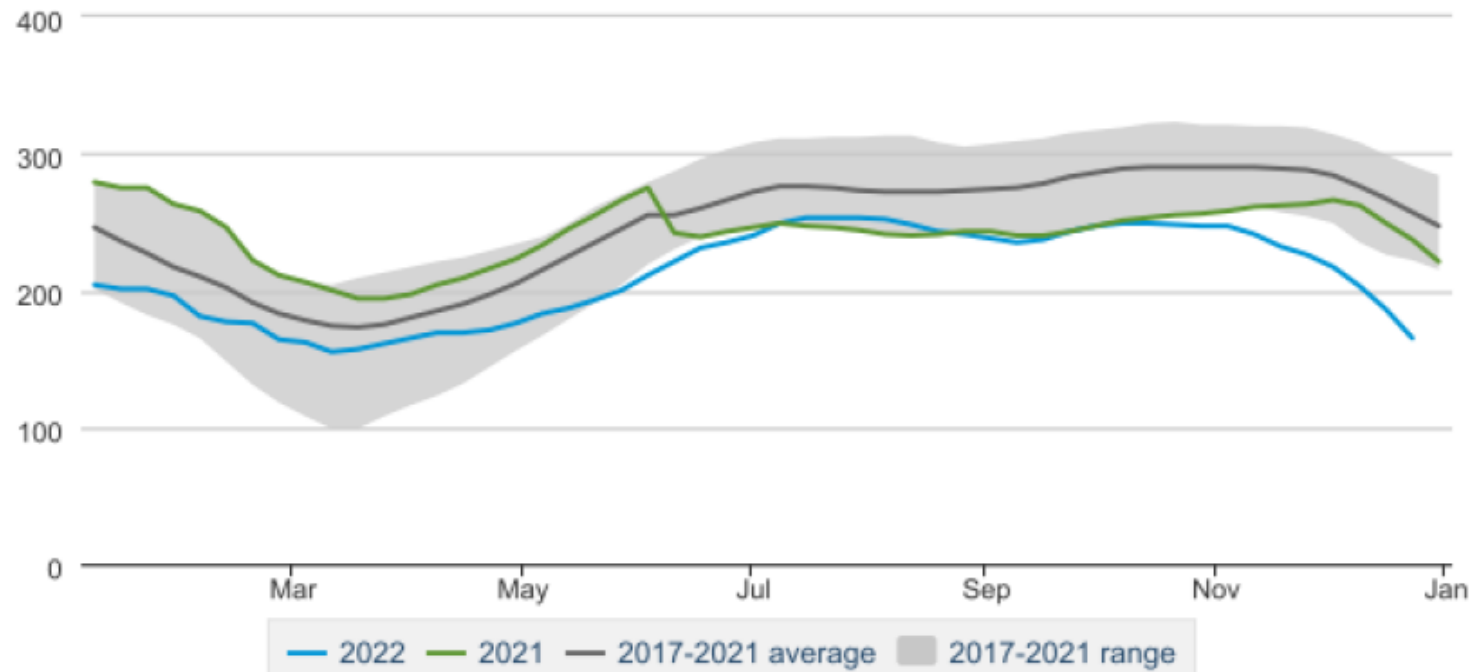


Market Conditions

Gas Storage – Pacific Region

Pacific region weekly working gas in underground storage

billion cubic feet

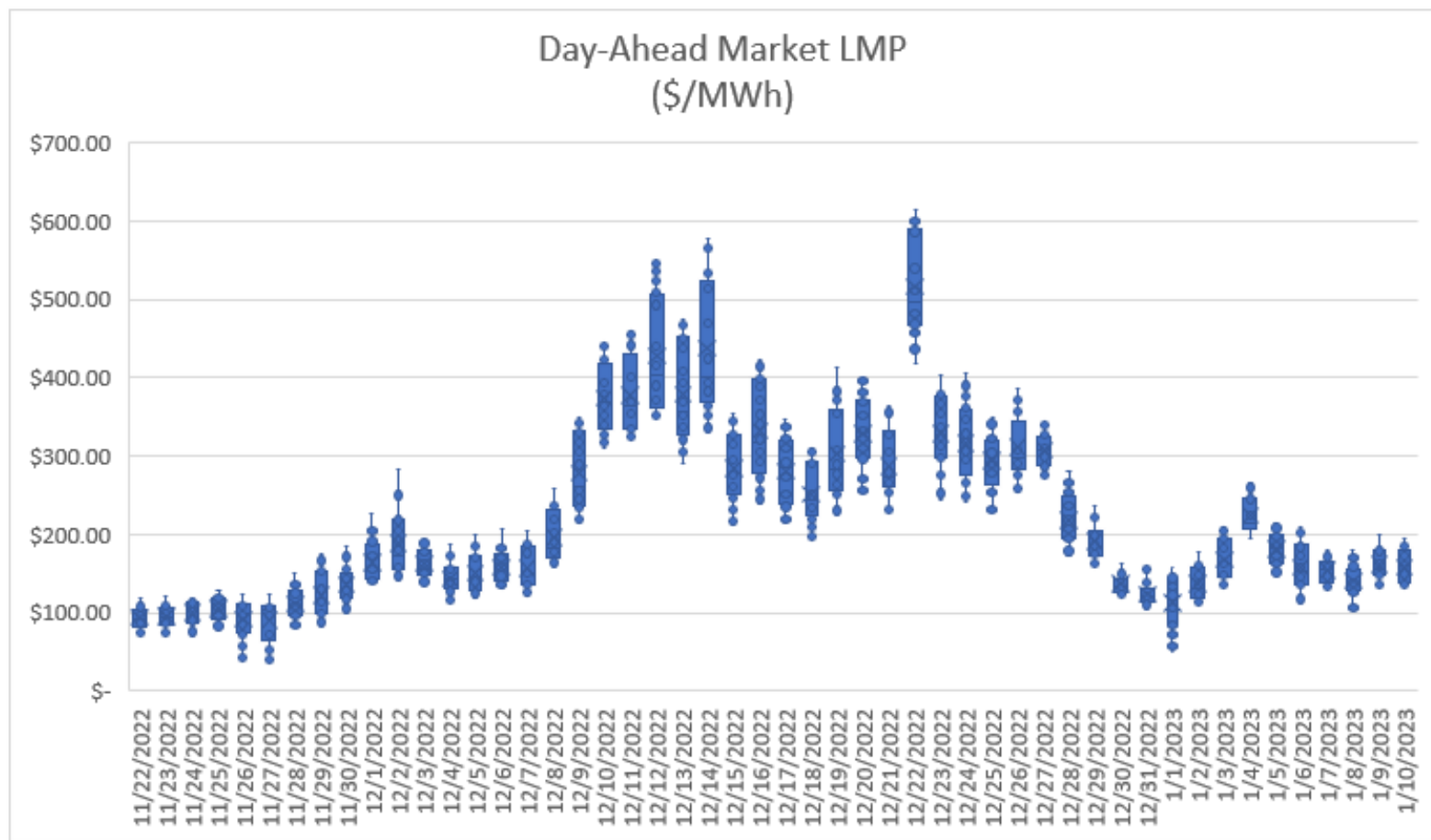


Market Conditions

11/22/22 – 1/10/23

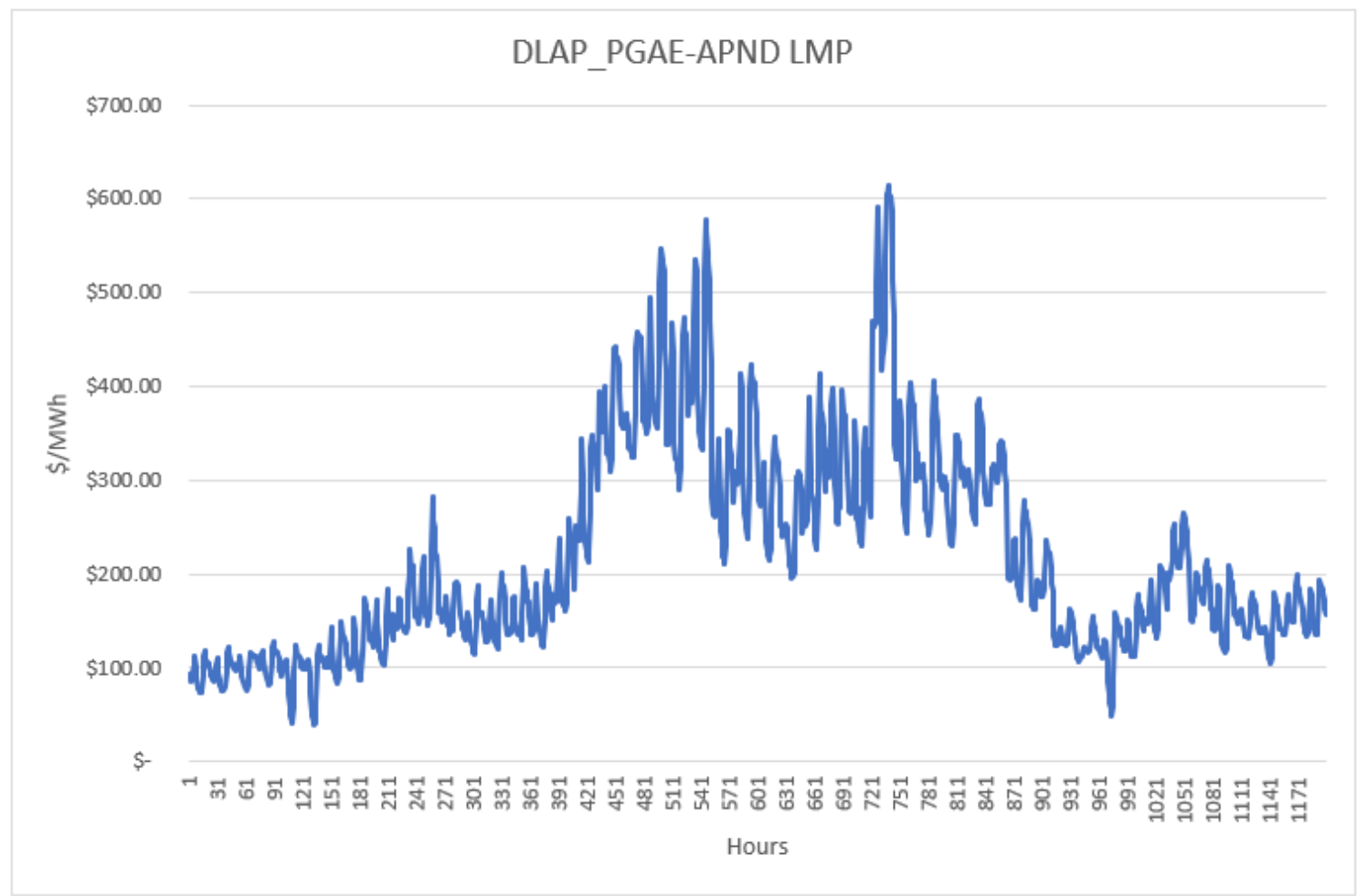
Average DLAP_PGAE-APND LMP

Dec 2021 (\$/MWh)	Dec 2022 (\$/MWh)	Delta (\$/MWh)	Delta (%)
\$ 63.54	\$ 270.81	\$ 207.28	326%

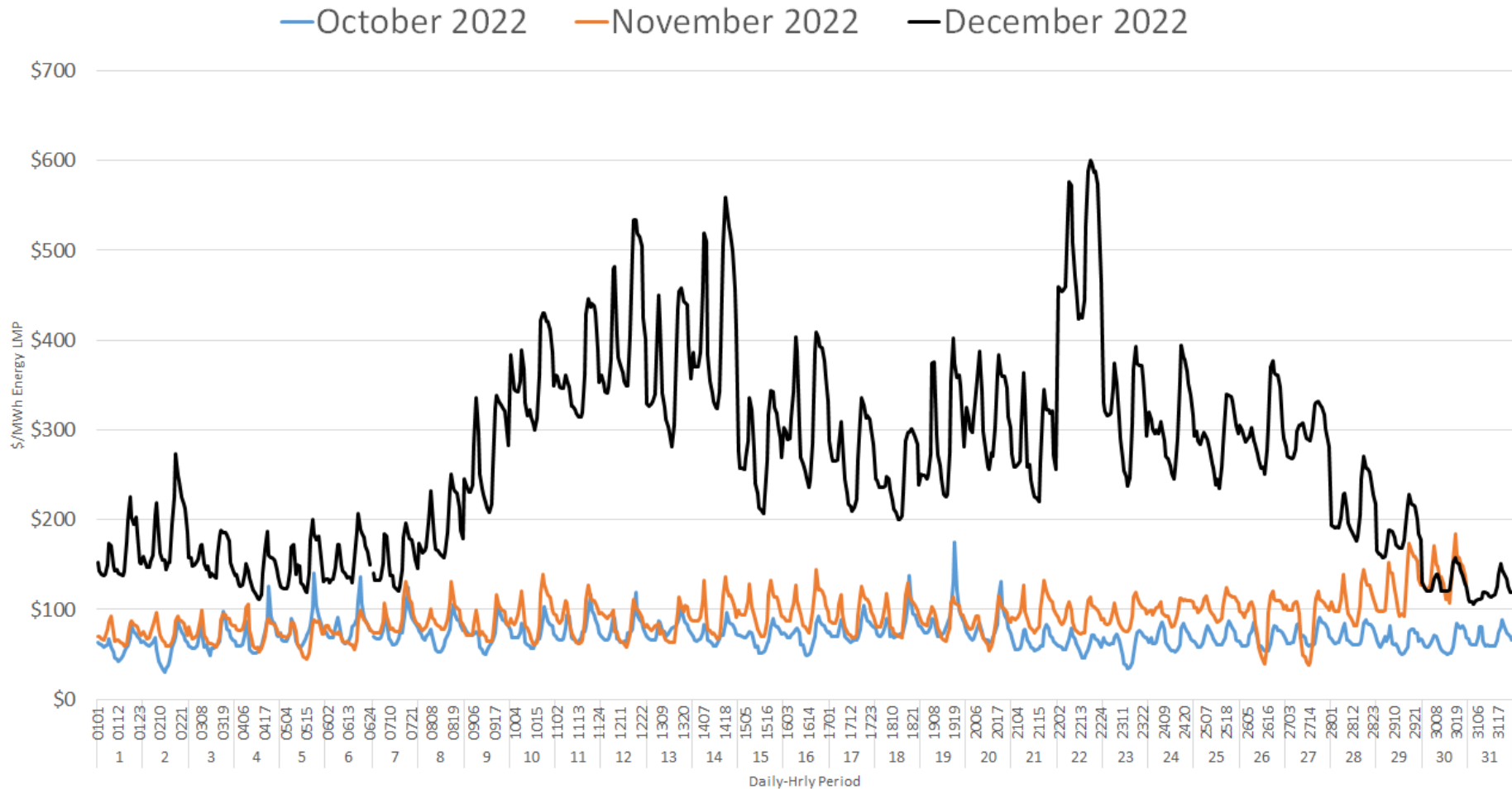


Market Conditions

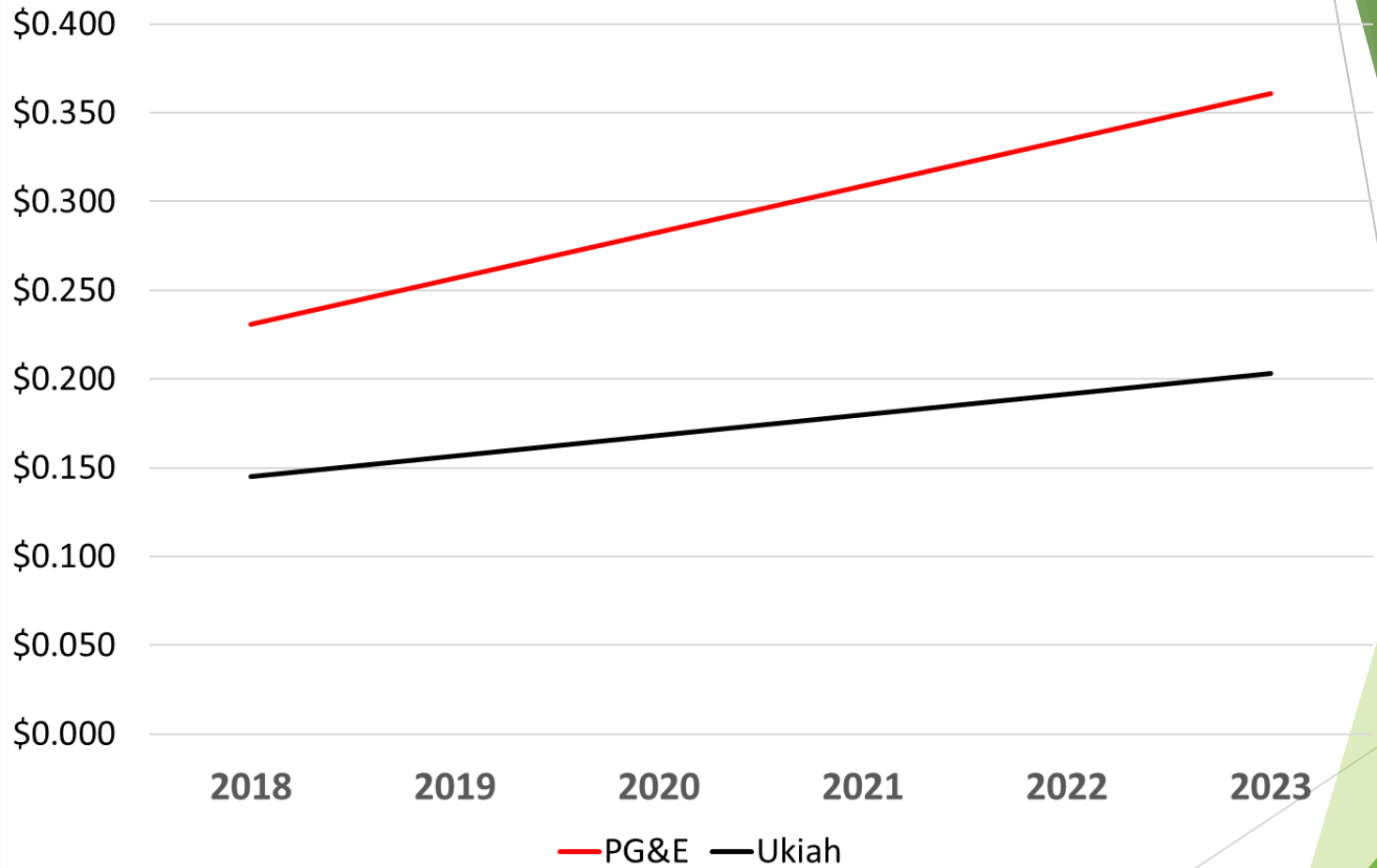
11/22/22 – 1/10/23



DA Energy LMP values by Month



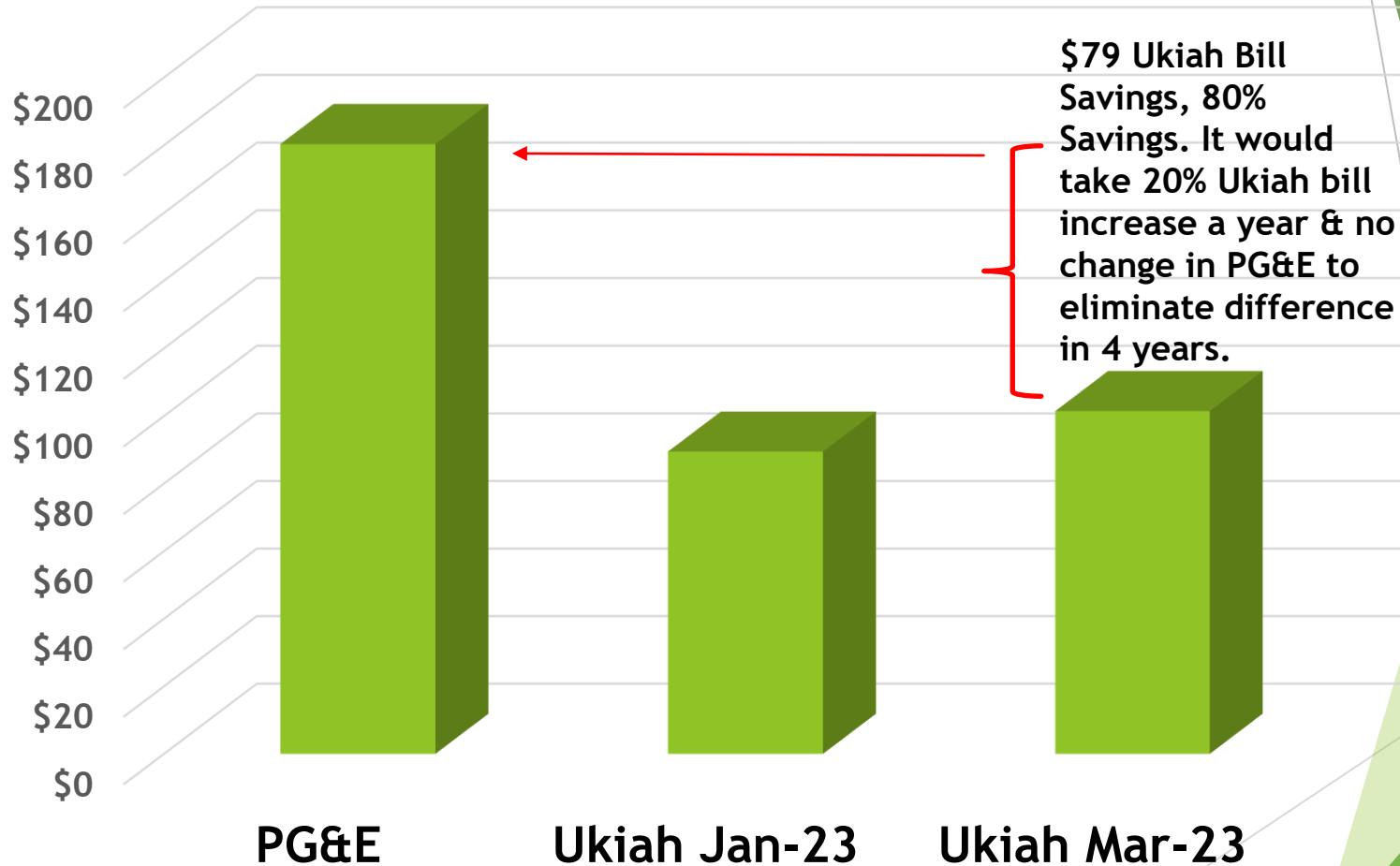
PG&E & Ukiah Residential Rates \$/kWh



Residential Monthly Bill at 500 kWh

PG&E 2023 vs Ukiah

Ukiah current vs Ukiah PCS Change



Utility	% of PB Funds to LI Assistance
Alameda	30%
Healdsburg	42%
Lompoc	22%
Palo Alto	<1%
Ukiah	70%

Ukiah	2020	2021	2022
Energy Conservation	\$36,421	\$22,860	\$54,671
Low Income Assistance	\$172,325	\$179,045	\$140,731
Research and Demo	\$8,596	\$4,884	\$1,307
Marketing Materials	\$1,812	\$965	\$1,986

Ukiah City Assistance for Relief through Energy Support CARES Program

Program	Less than 100% of FPIG	101% - 150% of FPIG	151% - 200% of FPIG	Payments
Senior Citizen Monthly Discount	\$40	\$30	\$20	Monthly bill credits
Non-Senior Household Monthly Discount Program	\$30	\$20	\$10	Monthly bill credits
Lower-Income Energy Efficient New Construction Program	\$500 - \$2,000 Per apartment			Rebate - Developer must apply and meet program requirements

Questions / Comments

City of Ukiah Amended Power Cost Surcharge Rider

This amends the City of Ukiah Power Cost Surcharge Rider as per Resolution No. 2023- The Power Cost Surcharge (Surcharge) is a per kilowatt-hour (kWh) charge that is used to ensure an adequate revenue stream to cover all power costs incurred by Ukiah Electric's system: including generation, management of Utility owned facilities, and transmission costs through Northern California Power Agency (NCPA). The Surcharge will be assessed to all customers as an additional charge per kWh to their standard rate.

Calculation:

A 12-month running sum of actual metered dollars invoiced and metered kWh of load for the previous 12 months of the NCPA Net All Resources Bill (ARB) will be maintained. The Surcharge Factor for a particular month will be calculated as the previous 12-month sum of actual metered NCPA net ARB invoiced amounts divided by the previous 12-month sum of the NCPA ARB metered kWh monthly loads adjusted for distribution losses and for bill timing adjustments. The Surcharge is set as the difference between Surcharge Factor of quarterly and the January 2022 Surcharge Factor. The Surcharge can be negative or positive.

The Surcharge is implemented quarterly on March 1st, June 1st, September 1st, and December 1st, with the first Power Cost Surcharge to begin on March 1, 2023.

RESOLUTION NO. 2023-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF UKIAH AMENDING THE POWER COST SURCHARGE RIDER

WHEREAS: The City of Ukiah (“City”) provides electric utility services to residents and businesses in the City, and Ukiah Electric Utility is the City’s publicly owned electric utility with the City Council providing local governance and oversight; and

WHEREAS: The City has operated the municipal electric utility for more than 110 years and the electric rates are based on the cost to provide service; and

WHEREAS: The cost-of-service rates established to provide Ukiah customers with power include generation, transmission, and distribution components; and

WHEREAS: The Electric Utility has experienced additional cost pressures brought upon by the California energy market’s price volatility due to drought, natural gas prices, and inflation; and

WHEREAS: Council adopted Resolution 2022-54 Adopting a Power Cost Surcharge Rider to ensure that the Utility would fully recoup the cost to deliver power to Ukiah customers; and

WHEREAS: The Power Cost Surcharge Rider implemented in October 2022 was based on the actual difference of cost to provide power less the cost projected in January 2022, and is recalculated on a bi-annual basis; and

WHEREAS: The California energy market’s price volatility has increased to an even greater level and recovery of those costs is significantly delayed by using a bi-annual recalculation of the Power Cost Surcharge; and

WHEREAS: In order to offset the volatility, a more frequent recalculation of the Power Cost Surcharge value with an adjustment due to bill timing would allow the Utility to recoup the added costs in a timelier manner; and

WHEREAS: Under California Proposition 26, court rulings have indicated that electric rates must meet the cost-of-service requirements of the utility. The amended Power Cost Surcharge, based on actual costs, will meet the Proposition 26 requirements; and

WHEREAS: The City Manager and Staff recommend proceeding with the amended Power Cost Surcharge Rider as outlined in Exhibit A; and

WHEREAS: The Power Cost Surcharge will be applied to all customer’s usage, regardless of when the energy was used, and modified and applied, either up or down, based on actual costs on March 1st, June 1st, September 1st, December 1st every year with the first Amended Power Cost Surcharge to begin on March 1st, 2023; and

WHEREAS: In accordance with the Ukiah City Code Division 4, Chapter 6, Sections 3950 through 3957, the City Council will hold a public hearing on February 1, 2023, to receive the City Manager’s Report and consider adopting a resolution to amend the Power Cost Surcharge Rider. Legal notices were published successfully in accordance with City Code section 3953; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Ukiah hereby adopts the Amended Power Cost Surcharge Rider, as set forth in Exhibit A.

BE IT FURTHER RESOLVED

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Ukiah on the 1st day of February 2023, by the following roll call vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Mari Rodin, Mayor

ATTEST:

Kristine Lawler, City Clerk

Exhibit A

City of Ukiah Amended Power Cost Surcharge Rider

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