Agenda Item No: 12.a.

MEETING DATE/TIME: 6/7/2023

ITEM NO: 2023-2726



# AGENDA SUMMARY REPORT

**SUBJECT:** The Ukiah City Council Will Receive a Financial Report for the Electric Utility and Consider Adoption of the Proposed Electric Rate Adjustments by Resolution.

**DEPARTMENT:** Electric Utility

PREPARED BY: Cindy Sauers, Electric Utility Director PRESENTER: Cindy Sauers, Electric Utility Director

#### ATTACHMENTS:

- 1. CoU vs. PGE 500kWh Bill Comparison
- 2. 2016 Approved Rates
- 3. 2022 Approved Rates
- 4. Approved Power Cost Surcharge Rider 02012023
- 5. 2023 Proposed Electric Rate Tables
- 6. Resolution Adopting Rate Schedule 07012023

**Summary:** In accordance with Ukiah City Code Division 4, Chapter 6, Sections 3950 through 3957, the City Council will hold a public hearing on June 7, 2023, to receive the City Manager's Report on Electric Utility rates and consider the adoption, by resolution, of the proposed electric rate adjustments. Legal notices were published in accordance with City Code 3953. The Agenda Summary Report and the City Manager's Report are to be considered the same report.

**Background:** The City of Ukiah's Electric Utility is a publicly owned, nonprofit utility, governed by the Ukiah City Council. The City Council provides oversight and direction and approves rates. As a municipal utility, all costs related to electric service delivery to customers, including generation, labor, maintenance, and capital improvement funds are covered by the revenue collected through rates. Ukiah's rates are, on average, 65% less than other neighboring Mendocino County utilities (Attachment 1).

The Electric Utility has faced significant challenges in the past several years. The wildfires that ravaged parts of Northern California have resulted in increased legislation and costs as utilities fund projects to reduce the chances of additional fires. The financial burden these projects have placed on utilities in a short period of time is significant. As part of the City Utility's wildfire mitigation efforts, several capital improvement projects have been budgeted, including plans to underground in higher fire threat areas on the west side of Ukiah. Although grant funding is being used for these projects, matching funds will be required. Additional maintenance funding has also been budgeted for vegetation management.

Historically, due to the expensive nature of undergrounding, the Utility typically plans and constructs one undergrounding project every 5-7 years. Since 2019, four undergrounding projects have been developed and are in various stages of completion. Two of these projects were unplanned and the third is scheduled for fiscal year 23/24 construction. The acceleration of these projects has more than doubled the Utility's capital output for undergrounding, resulting in a decrease of available funding for other capital improvement projects.

The Utility, along with other industries, has been impacted by inflation and supply chain delays since 2020. The cost of materials has increased significantly. Electrical PVC conduit costs have risen 400% since 2019, transformer costs have increased over 60% and lead times have increased from 32 weeks to 2 years. Other materials have increased between 10-80%. These additional costs for maintenance and construction

are creating a challenging environment for the Utility.

Energy prices have increased over 40% since 2020. The reasons for these increases in energy prices include drought, legislation eliminating natural gas plants, and the delay of many new generation projects due to supply chain issues.

In 2016, Council approved the first electric rate increase in 20 years, implemented over a 5-year period (Attachment 2). Council approved an additional 5-year rate increase in January 2022. The second installment of that increase took effect in April 2023 (Attachment 3). Additionally, the Council approved a Power Cost Surcharge (Attachment 4) that deals with the volatility in the energy market and is adjusted up or down, depending on the actual power costs the Utility incurs. Even with these progressive increases, the Utility is facing a shortfall for FY 2023.

**Discussion:** In January 2022, when Council approved a 5-year rate increase, only a portion of the cost pressures mentioned were entirely visible for rate development. Continuous monitoring of power costs resulted in the Power Cost Surcharge adoption, which has, and will continue to deal with the volatile market. However, the magnitude of inflationary pressures and anticipated legislative action were not known when the rate schedule was developed. During the Utility's periodic cost of service analysis, it became apparent that projecting these costs for a full 5-year period may not be advantageous considering the volatility of costs impacting the industry. The Utility completes regular, periodic, analysis of cash flow and working capital, it is apparent that more flexibility for changing the rates is necessary.

To meet the challenges facing the Utility and to rebuild adequate cash reserves, Staff is recommending eliminating the last three installments of the approved January 2022 rate increase and is recommending two increases, one starting in July, 2023 and the other in January 2024 (Attachment 5). The 100% Green Rate, approved in January 2022, will remain in effect. These increases, along with the Power Cost Surcharge, will provide adequate funding to prevent further shortfall for fiscal year 23/24. It will also begin to rebuild a cash reserve so that the Utility can plan for future projects and meet the electrification and renewable mandates set forth by the State while simultaneously maintaining Ukiah Utility's local infrastructure and system. Staff will continue to evaluate the cost of service needs of the Utility and will return to Council by January 2024 for further recommendations.

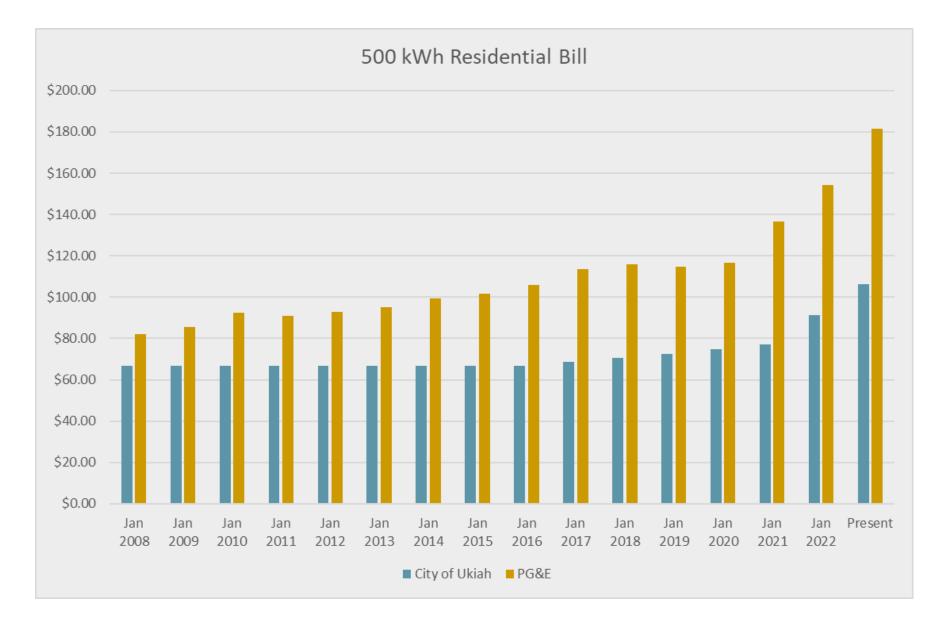
Staff recommends adopting Resolution (Attachment 6) to amend electric rates.

**Recommended Action:** Receive financial report for the Electric Utiliity and approve the proposed electric rate adjustments by resolution.

BUDGET AMENDMENT REQUIRED: N/A CURRENT BUDGET AMOUNT: N/A PROPOSED BUDGET AMOUNT: N/A FINANCING SOURCE: N/A PREVIOUS CONTRACT/PURCHASE ORDER NO.: COORDINATED WITH: Sage Sangiacomo, City Manager; Dan Buffalo, Finance Director DIVERSITY-EQUITY INITIATIVES (DEI): CLIMATE INITIATIVES (CI): GENERAL PLAN ELEMENTS (GP):

Approved: 🜙 Sage Sangiacomo, City Manager

#### Attachment 1



## **Proposed City of Ukiah Electric Rates**

#### Winter Rates effective November 1-April 30 Summer Rates effective May 1-October 31

(The amended rates will apply to the first full month's consumption following the rate's effective date)

#### Residential Single Phase: Electric Rate E1 (Basic Service), E2 (All Electric)

All Electric Rate (E2) will be closed to new customers effective 1/1/2017. Current customers will be allowed to stay on the rate no matter how they qualified. Other rate discounts and or adjustments to baseline quantities for various programs such as but not exclusive of senior and life support will remain the same. The minimum charge will be billed if the sum of the basic and the energy charges are less than the minimum charge amount.

Rate by effective date	1/1/2017	7/1/2017	7/1/2018	7/1/2019	7/1/2020
Base line Quantities, per kWh, \$/kWh	\$0.12040	\$0.12410	\$0.12790	\$0.13180	\$0.13580
Exceeding Base line Quantities, per kWh, \$/kWh	\$0.15800	\$0.16280	\$0.16770	\$0.17280	\$0.17800
Minimum Monthly Billing, \$/Month	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
Basic Monthly Charge for Monthly KWh less than 200 kWh per month, \$/Month	\$0.50	\$0.52	\$0.54	\$0.56	\$0.58
Basic Monthly Charge for Monthly KWh greater than or equal to 200 kWh per month and less than 550 kWh per month, \$/Month	\$1.00	\$1.03	\$1.07	\$1.11	\$1.15
Basic Monthly Charge for Monthly KWh greater than or equal to 550 kWh per month, \$/Month	\$1.50	\$1.55	\$1.60	\$1.65	\$1.70

	<b>BASELINE QUANTITIES (kWh PER MONTH)</b>				
	WINTER	SUMMER			
<b>Basic Service</b>	360	360			
All Electric	660	360			

## General Service: Electric Rate E5, E6, C5, C6, E55, E51

This rate schedule is applicable to general commercial and non-commercial residential lighting, heating and all single phase and three phase alternating current loads in which energy use is less than 144,000 kWh per meter for 12 consecutive months. This schedule will not be applicable to commercial uses permitted by the City under a Home Occupation Permit.

Effective Date	1/1/2017	7/1/2017	7/1/2018	7/1/2019	7/1/2020
Energy Rates, \$/kWh					
Winter	\$0.17066	\$0.17578	\$0.18106	\$0.18650	\$0.19210
Summer	\$0.12663	\$0.13043	\$0.13435	\$0.13839	\$0.14255
Base Charge, \$/month					
Single Phase (E5)	\$8.66	\$8.92	\$9.19	\$9.47	\$9.76
Poly-phase (E6)	\$9.69	\$9.99	\$10.29	\$10.60	\$10.92
X-Ray (E51)	\$21.63	\$22.28	\$22.95	\$23.64	\$24.35
Minimum Charge , \$/Month					
2nd Meter (E55)	\$8.66	\$8.92	\$9.19	\$9.47	\$9.76

## General Service with Demand: Electric Rate E7, C7

This rate is applicable to commercial and non-residential lighting, heating, and all single phase and three phase loads in which energy use is 144,000 kWh or greater per meter for 12 consecutive months. The customer bill will consist of a basic month charge, energy and demand charges.

## DEMAND CHARGE

The customer will be billed for demand according to the customer's "maximum kilowatt demand" each month. The number of kilowatt (kW) used will be recorded over 15 minute intervals: the highest 15 minute average kW use in the month will be the customer's maximum demand.

Effective Date	1/1/2017	7/1/2017	7/1/2018	7/1/2019	7/1/2020
Energy Rates, \$/kWh					
Winter	\$0.09094	\$0.09367	\$0.09649	\$0.09939	\$0.10238
Summer	\$0.11295	\$0.11634	\$0.11984	\$0.12344	\$0.12715
Basic Charge, \$/Month	\$72.72	\$74.91	\$77.16	\$79.48	\$81.87
Demand Charge, \$/kW					
Winter	\$4.18	\$4.31	\$4.44	\$4.58	\$4.72
Summer	\$6.65	\$6.85	\$7.06	\$7.28	\$7.50

## **General Large Industrial Service with Demand: E-1**

This schedule is applicable to large industrial production, lighting, heating and all single and three phase loads in which energy use is an average of 75,000 kWh monthly or greater with a demand of 200 kW monthly or greater for at least six consecutive months (multiple meters at a single location will be combined).

The Industrial rate is applicable to large manufacturing facilities, defined as businesses or corporations that produce products for either wholesale or retail sales or businesses that contract to fulfill obligations to produce specific components.

#### **DEMAND CHARGE**

The customer will be billed for demand according to the customer's "maximum kilowatt demand" each month. The number of kilowatt (kW) used will be recorded over 15 minute intervals: the highest 15 minute average kW use in the month will be the customer's maximum demand.

Effective Date	1/1/2017	7/1/2017	7/1/2018	7/1/2019	7/1/2020
Energy Rates \$/kWh					
Winter	\$0.07034	\$0.07246	\$0.07464	\$0.07688	\$0.07919
Summer	\$0.09235	\$0.09513	\$0.09799	\$0.10093	\$0.10396
Base Charge					
\$/Month	\$72.72	\$74.91	\$77.16	\$79.48	\$81.87
Demand Charge \$/kW					
Winter	\$4.18	\$4.31	\$4.44	\$4.58	\$4.72
Summer	\$6.65	\$6.85	\$7.06	\$7.28	\$7.50

## **Residential Service Electric Rate E1, E2\***

	Residential Service Electric Rate E1, E2*									
	Data	Energy kWh Charge		Monthly Fix						
Rate Year	Rate ate Year effective date		kWh equal to or Greater than Baseline (\$/kWh)	e 200 kWh per kWh		Greater than 550 kWh per month	montiny			
1	April 1,2022	\$0.14797	\$0.19395	\$1.00	\$1.75	\$2.75	\$5.00			
2	April 1, 2023	\$0.16009	\$0.20983	\$2.00	\$3.19	\$4.56	\$5.00			
3	April 1, 2024	\$0.17344	\$0.22733	\$3.00	\$4.63	\$6.38	\$5.00			
4	April 1, 2025	\$0.18837	\$0.24691	\$4.00	\$6.06	\$8.19	\$5.00			
5	April 1, 2026	\$0.20493	\$0.26861	\$5.00	\$7.50	\$10.00	\$5.00			

(The amended rates will apply to the first full month's consumption following the rate's effective date)

#### **BASELINE QUANTITIES (kWh PER MONTH)**

	WINTER (Nov 1-Apr 30)	SUMMER (May 1 -Oct 31)	
Basic Service (E1)	360	360	
All Electric E2*	660	360	

**\*All Electric Rate E2 was closed to new customers effective 1/1/2017**. Current customers will be allowed to stay on the rate no matter how they qualified. Other rate discounts and or adjustments to baseline quantities for various programs such as but not exclusive of senior and life support will remain the same. The minimum charge will be billed if the sum of the basic and the energy charges are less than the minimum charge amount.

## Small Commercial Service Electric Rate E5, E6, C5, C6

This rate schedule is applicable to general commercial and non-commercial residential lighting, heating and all single phase and three phase alternating current loads in which energy use is less that 144,000 kWh per meter for 12 consecutive months. This schedule will not be applicable to commercial uses permitted by the City under a Home Occupation Permit.

Small Commercial Service Electric Rate E5, E6, C5, C6								
	Rate	Energy Cha	rge (\$/kWh)	Monthly fixed charge (\$)				
Rate Year	effective date	Winter	Summer	E5/C5	E6/C6			
1	April 1, 2022	\$0.16090	\$0.20010	\$15.50	\$16.50			
2	April 1,2023	\$0.17619	\$0.21911	\$17.21	\$18.32			
3	April 1,2024	\$0.19292	\$0.23992	\$19.10	\$20.33			
4	April 1, 2025	\$0.21125	\$0.26272	\$20.91	\$22.26			
5	April 1, 2026	\$0.23132	\$0.28768	\$22.90	\$24.38			

WINTER (Nov 1 – Apr 30) SUMMER (May 1 – Oct 31)

\*New electric accounts with intermittent loads (used infrequently) and disconnected within the last 12 months shall be charged \$50 in addition to all other new account fees

#### Medium/Large Commercial Service with Demand Electric Rate E7, C7

This rate is applicable to commercial and non-residential lighting, heating, and all single phase and three phase loads in which energy use is 144,000 kWh or greater per meter for 12 consecutive months. The customer bill will consist of a basic month charge, energy and demand charges.

#### **Demand Charge**

The customer will be billed for demand according to the customer's "maximum kilowatt demand" each month. The number of kilowatt (kW) used will be recorded over 15-m i n u t e intervals: the highest 15-minute average kW use in the month will be the customer's maximum demand.

Medium/Large Commercial Service with Demand Electric Rate E7, C7								
	Rate	Energy Chai	rge (\$/kWh)	Demand Ch	arge (\$/kW)	Monthly		
Rate Year	effective date	Winter	Summer	Winter	Summer	Fixed Charge (\$)		
1	April 1, 2022	\$0.11139	\$0.13834	\$5.48	\$8.10	\$114.62		
2	April 1, 2023	\$0.12108	\$0.15037	\$6.42	\$8.85	\$137.54		
3	April 1,2024	\$0.13260	\$0.16470	\$7.03	\$9.69	\$150.61		
4	April 1, 2025	\$0.14520	\$0.18030	\$7.70	\$10.61	\$164.92		
5	April 1, 2026	\$0.15900	\$0.19740	\$8.43	\$11.62	\$180.59		

WINTER (Nov 1 – Apr 30) SUMMER (May 1 – Oct 31)

## Industrial Service with Demand Electric Rate 11

This schedule is applicable to large industrial production, lighting, heating and all single and three phase loads in which energy use is an average of 75,000 kWh monthly or greater with a demand of 200 kW monthly or greater for at least six consecutive months (multiple meters at a single location will be combined).

The Industrial rate is applicable to large manufacturing facilities, defined as businesses or corporations that produce products for either wholesale or retail sales or businesses that contract to fulfill obligations to produce specific components.

#### **Demand Charge**

The customer will be billed for demand according to the customer's "maximum kilowatt demand" each month. The number of kilowatt (kW) used will be recorded over 15- m i n u t e intervals: the highest 15-minute average kW use in the month will be the customer's maximum demand.

Industrial Service with Demand Electric Rate I1 (Replaces El Rate)								
	Rate	Energy Char	rge (\$/kWh)	Demand Ch	Demand Charge (\$/kW)			
Rate Year	effective date	Winter	Summer	Winter	Summer	- Monthly Fixed Charge (\$)		
1	April 1, 2022	\$0.08608	\$0.11300	\$5.29	\$8.10	\$143.27		
2	April 1, 2023	\$0.09426	\$0.12374	\$5.92	\$8.83	\$179.09		
3	April 1,2024	\$0.10320	\$0.13550	\$6.48	\$9.67	\$196.10		
4	April 1, 2025	\$0.11300	\$0.14840	\$7.10	\$10.59	\$214.73		
5	April 1, 2026	\$0.12370	\$0.16250	\$7.77	\$11.60	\$235.13		

WINTER (Nov 1 – Apr 30) SUMMER (May 1 – Oct 31)

## Ukiah Green Energy Program

For customers wishing to promote the development and use of renewable energy; the City of Ukiah offers a 100 % Green electric rate. This rate is available to all Ukiah electric customers.

The City will procure, on the customer's behalf, Renewable Energy to match the customer's monthly energy consumption. Customers choosing the Green Rate will incur an additional 2.021 cents per kWh for every kWh consumed during the billing period. The 100% Green Rate will be updated yearly and will be based on renewable energy cost, delivery costs and imposed fees. Customers may opt into the program anytime and may opt out any time after the second complete billing cycle on the program.

100% Green Energy Rate					
Program:	Ukiah Green Energy Rate:	Billing Period:			
Ukiah Green Energy	0.02021 per kWh	Monthly			

#### 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 previous12-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 1<sup>st</sup>, June 1<sup>st</sup>, September 1<sup>st</sup>, and December 1<sup>st</sup>, with the first Power Cost Surcharge to begin on March 1, 2023.

# **Residential Service Electric Rate E1, E2\***

Residential Service Electric Rate E1, E2*								
	/h Charge	Monthly Fixe	Monthly Fixed Charge - per kWh level					
Rate Effective Date	kWh less than Baseline (\$/kWh)	kWh equal to or Greater than Baseline (\$/kWh)	Less than 200 kWh per month	201-550 kWh per month	Greater than 550 kWh per month	Mimimun monthly charge		
July 1, 2023	\$0.17930	\$0.23501	\$3.36	\$5.19	\$7.15	\$5.00		
January 1, 2024	\$0.19633	\$0.25734	\$4.48	\$6.79	\$9.17	\$5.00		

#### **BASELINE QUANTITIES (kWh PER MONTH)**

	WINTER (Nov 1-Apr 30)	SUMMER (May 1 -Oct 31)	
Basic Service (E1)	360	360	
All Electric E2*	660	360	

This rate schedule is applicable to residential electric service. Other rate discounts and or adjustments to baseline quantities for various programs such as but not exclusive of senior and life support will remain the same. The minimum charge will be billed if the sum of the basic and the energy charges are less than the minimum charge amount.

\*All Electric Rate E2 was closed to new customers effective 1/1/2017. Current customers will be allowed to stay on the rate no matter how they qualified.

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# **City of Ukiah Electric Rates**

## Small Commercial Service Electric Rate E5, E6, C5, C6

This rate schedule is applicable to general commercial and non-commercial residential lighting, heating and all single phase and three phase alternating current loads in which energy use is less that 144,000 kWh per meter for 12 consecutive months. This schedule will not be applicable to commercial uses permitted by the City under a Home Occupation Permit.

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Small Commercial Service Electric Rate E5, E6, C5, C6					
Rate Effective	Energy Charge (\$/kWh)		Monthly fixed charge(\$)		
Date	Winter	Summer	E5/C5	E6/C6	
July 1, 2023	\$0.19733	\$0.24540	\$19.28	\$20.52	
January 1, 2024	\$0.21608	\$0.26872	\$21.11	\$22.47	

WINTER (Nov 1 – Apr 30) SUMMER (May 1 – Oct 31)

Note: New electric accounts with intermittent loads (used infrequently) and disconnected within the last 12 months shall be charged \$50 in addition to all other new account fees

#### Medium/Large Commercial Service with Demand Electric Rate E7, C7

This rate is applicable to commercial and non-residential lighting, heating, and all single phase and three phase loads in which energy use is 144,000 kWh or greater per meter for 12 consecutive months. The customer bill will consist of a basic month charge, energy and demand charges.

#### **Demand Charge**

The customer will be billed for demand according to the customer's "maximum kilowatt demand" each month. The number of kilowatt (kW) used will be recorded over 15-m i n u t e intervals: the highest 15-minute average kW use in the month will be the customer's maximum demand.

Medium/Large Commercial Service with Demand Electric Rate E7, C7					
Rate Effective	Energy Charge (\$/kWh)		Demand Charge (\$/kW)		Monthly Fixed
Date	Winter	Summer	Winter	Summer	Charge
July 1, 2023	\$0.13561	\$0.16841	\$7.19	\$9.91	\$154.04
January 1, 2024	\$0.14849	\$0.18441	\$7.87	\$10.85	\$168.68

WINTER (Nov 1 – Apr 30) SUMMER (May 1 – Oct 31)

## Industrial Service with Demand Electric Rate I1

This schedule is applicable to large industrial production, lighting, heating and all single and three phase loads in which energy use is an average of 75,000 kWh monthly or greater with a demand of 200 kW monthly or greater for at least six consecutive months (multiple meters at a single location will be combined).

The Industrial rate is applicable to large manufacturing facilities, defined as businesses or corporations that produce products for either wholesale or retail sales or businesses that contract to fulfill obligations to produce specific components.

## Demand Charge

The customer will be billed for demand according to the customer's "maximum kilowatt demand" each month. The number of kilowatt (kW) used will be recorded over 15- m i n u t e intervals: the highest 15-minute average kW use in the month will be the customer's maximum demand.

Industrial Service with Demand Electric Rate I1					
Rate Effective Date	Energy Charge (\$/kWh)		Demand Charge (\$/kW)		Monthly Fixed
	Winter	Summer	Winter	Summer	Charge (\$)
July 1, 2023	\$0.10557	\$0.13859	\$6.63	\$9.89	\$200.58
January 1, 2024	\$0.11560	\$0.15175	\$7.26	\$10.83	\$219.64

WINTER (Nov 1 – Apr 30) SUMMER (May 1 – Oct 31)

#### **RESOLUTION NO. 2023-**

# RESOLUTION OF THE CITY COUNCIL OF THE CITY OF UKIAH ADOPTING ELECTRIC UTILITY RATE SCHEDULE ADJUSTMENTS WITH TWO INSTALLMENTS COMMENCING JULY 1, 2023.

**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 energy costs for the citizens of Ukiah are significantly lower than what others pay in Mendocino county; 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 June 7, 2023, to receive the City Manager's Report on electric utility energy rates and consider adoption by resolution of proposed electric rate increases. Legal notices were published successfully in accordance with City Code section 3953; and

**WHEREAS:** The electric utility continues to face increasing cost pressures due an inflationary climate coupled with accelerated capital improvement and maintenance efforts to continue fire mitigation work, undergrounding of facilities, and maintenance of the system to improve resiliency; and

**WHEREAS:** To meet these challenges and increase the cash reserve to acceptable levels, a phased rate increase was implemented in January 2022 which outlined adjustments over a 5 year period; and

**WHEREAS:** The rate increase implemented in 2022 was based on projected costs over a 5 year period; and

**WHEREAS:** Despite the approved rate increases outlined in January 2022, the Electric Utility continues to have a significant shortfall in covering expenses related to the generation, transmission and deliver of energy to Ukiah customers; and

**WHEREAS:** Under California Proposition 26, court rulings have indicated that electric rates must meet cost of service requirements. A cost of service of the electric rate classes shows that to prevent further fund shortfall, more flexibility is needed to cover expenses in a more frequent manner due to the volatility of the industry; and

**WHEREAS:** The City Manager and Staff recommends eliminating the three remaining installments of the approved January 2022 rate increase and implementing two increases, one starting on July 1, 2023 and the other in January 2024 as shown in Exhibit A.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Ukiah hereby adopts the Proposed Electric Rates, as set forth in Exhibit A.

**BE IT FURTHER RESOLVED** that the rate schedule adopted by this Resolution shall be effective July 1, 2023, unless otherwise ordered by the City Council on June 7, 2023. All prior rate schedule in conflict herewith are repealed upon the effective date of the new schedule. All other contract conditions for service remain unaltered and in full effect and the City Clerk shall cause the publication of this resolution in the Ukiah Daily Journal within 10 days following City Council action on June 7, 2023, pursuant to the provisions of Section 3957 of the Ukiah City Code.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Ukiah on the 7<sup>th</sup> day of June 2023, by the following roll call vote:

AYES: NOES: ABSENT: ABSTAIN:

Mari Rodin, Mayor

ATTEST:

Kristine Lawler, City Clerk