

**AGENDA
SPECIAL CITY COUNCIL MEETING
CITY OF BANNING
BANNING, CALIFORNIA**

May 24, 2017
6:30 p.m.

Banning Civic Center
Council Chambers
99 E. Ramsey St.

I. CALL TO ORDER

- Roll Call – Councilmembers Andrade, Franklin, Peterson, Welch, Mayor Moyer

II. PUBLIC COMMENTS – *On Items Not on the Agenda*

A five-minute limitation shall apply to each member of the public who wishes to address the Mayor and Council on a matter not on the agenda. A thirty-minute time limit is placed on this section. No member of the public shall be permitted to “share” his/her five minutes with any other member of the public. (Usually, any items received under this heading are referred to staff or future study, research, completion and/or future Council Action.) (See last page. PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.

III. STUDY SESSION

1. Electric Utility Rates 1
(Staff Report – Fred Mason, Electric Utility Director)

IV. ADJOURNMENT

Pursuant to amended Government Code Section 54957.5(b) staff reports and other public records related to open session agenda items are available at City Hall, 99 E. Ramsey St., at the office of the City Clerk during regular business hours, Monday through Friday, 8 a.m. to 5 p.m.

The City of Banning promotes and supports a high quality of life that ensures a safe and friendly environment, fosters new opportunities and provides responsive, fair treatment to all and is the pride of its citizens.

NOTICE: Any member of the public may address this meeting of the Mayor and Council on any item appearing on the agenda by approaching the microphone in the Council Chambers and asking to be recognized, either before the item about which the member desires to speak is called, or at any time during consideration of the item. A five-minute limitation shall apply to each member of the public, unless such time is extended by the Mayor. No member of the public shall be permitted to “share” his/her five minutes with any other member of the public.

Any member of the public may address this meeting of the Mayor and Council on any item which does not appear on the agenda, but is of interest to the general public and is an item upon which the Mayor and Council may act. A five-minute limitation shall apply to each member of the public, unless such time is extended by the Mayor. No member of the public shall be permitted to “share” his/her five minutes with any other member of the public. The Mayor and Council will in most instances refer items of discussion which do not appear on the agenda to staff for appropriate action or direct that the item be placed on a future agenda of the Mayor and Council. However, no other action shall be taken, nor discussion held by the Mayor and Council on any item which does not appear on the agenda, unless the action is otherwise authorized in accordance with the provisions of subdivision (b) of Section 54954.2 of the Government Code.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office (951) 922-3102. **Notification 48 hours prior to the meeting** will enable the City to make reasonable arrangements to ensure accessibility to this meeting. [28 CFR 35.02-35.104 ADA Title II]

Electric Utility Rates Study Session

Presented by
Fred Mason, Electric Utility Director



Overview

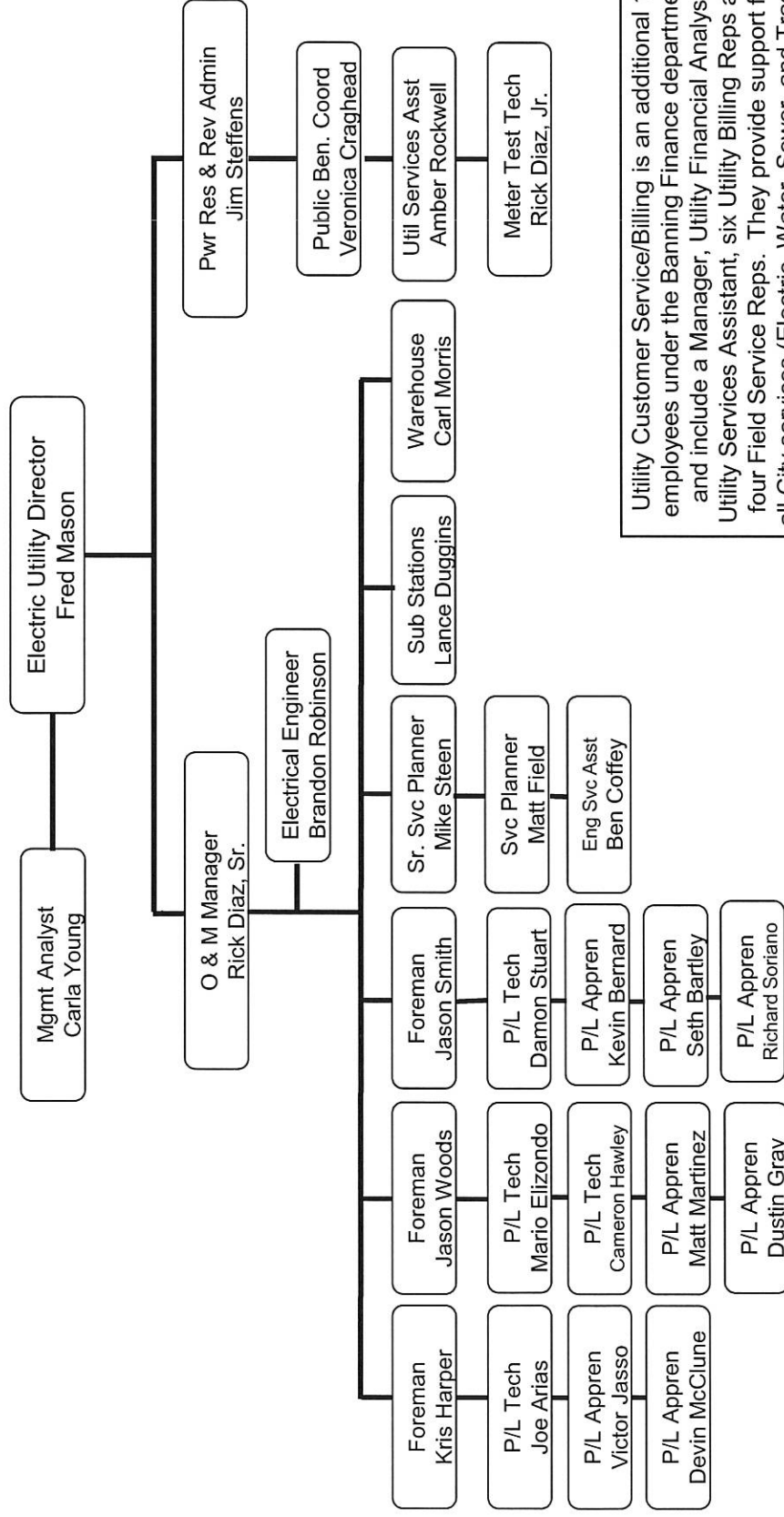
- History of the Utility
- Utility Organizational Chart
- Electric Rate Components
- Cost Impacts of Regulations & Policies
- Review Operating Costs and Revenues
- Compare rates with Edison
- Benefits of having a Municipal Electric Utility
- Public Benefit Charge
- Looking to the Future



History of the Utility

- 1913 – The Light & Power Utility (a private company) began providing electricity to the City of Banning
- 1922 – The City completed the purchase of The Light & Power Utility for a sum of \$15,884
- The Utility has ownership shares or long term contracts in a number of generating facilities including Palo Verde, San Juan, Hoover, and Heber South & Gould
- The Utility currently serves 12,000 customers throughout the City of Banning and had retail sales of nearly 140,000,000 kWh in FY2016

City of Banning – Electric Utility Department



Utility Customer Service/Billing is an additional 13 employees under the Banning Finance department and include a Manager, Utility Financial Analyst, Utility Services Assistant, six Utility Billing Reps and four Field Service Reps. They provide support for all City services (Electric, Water, Sewer, and Trash).

Electric Rate Component %

These electric rate components made up the following percentages of the Utility's total \$29 Million operating cost in FY16:

■ Generation/Wholesale Power	46%	} 57%
■ Transmission	11%	

■ Distribution System O&M	15%	
■ Administration	9%	
■ Bond Debt Service Payment	9%	
■ General Fund Transfer	10%	



Power Generation Costs

- San Juan #3 (Coal) provided 39% electricity (closes 12/2017) FY16 cost: \$8,660,220
- Palo Verde (Nuclear) provided 13% electricity FY16 cost: \$820,140
- Hoover (Hydro) provided 1% electricity FY16 cost: \$49,840
- Heber South & Gould 2 (Geothermal) provided 29% electricity FY16 cost: \$2,522,502
- Banning Lower & Middle Units (Hydro) <1% O&M costs for these units is minimal to zero

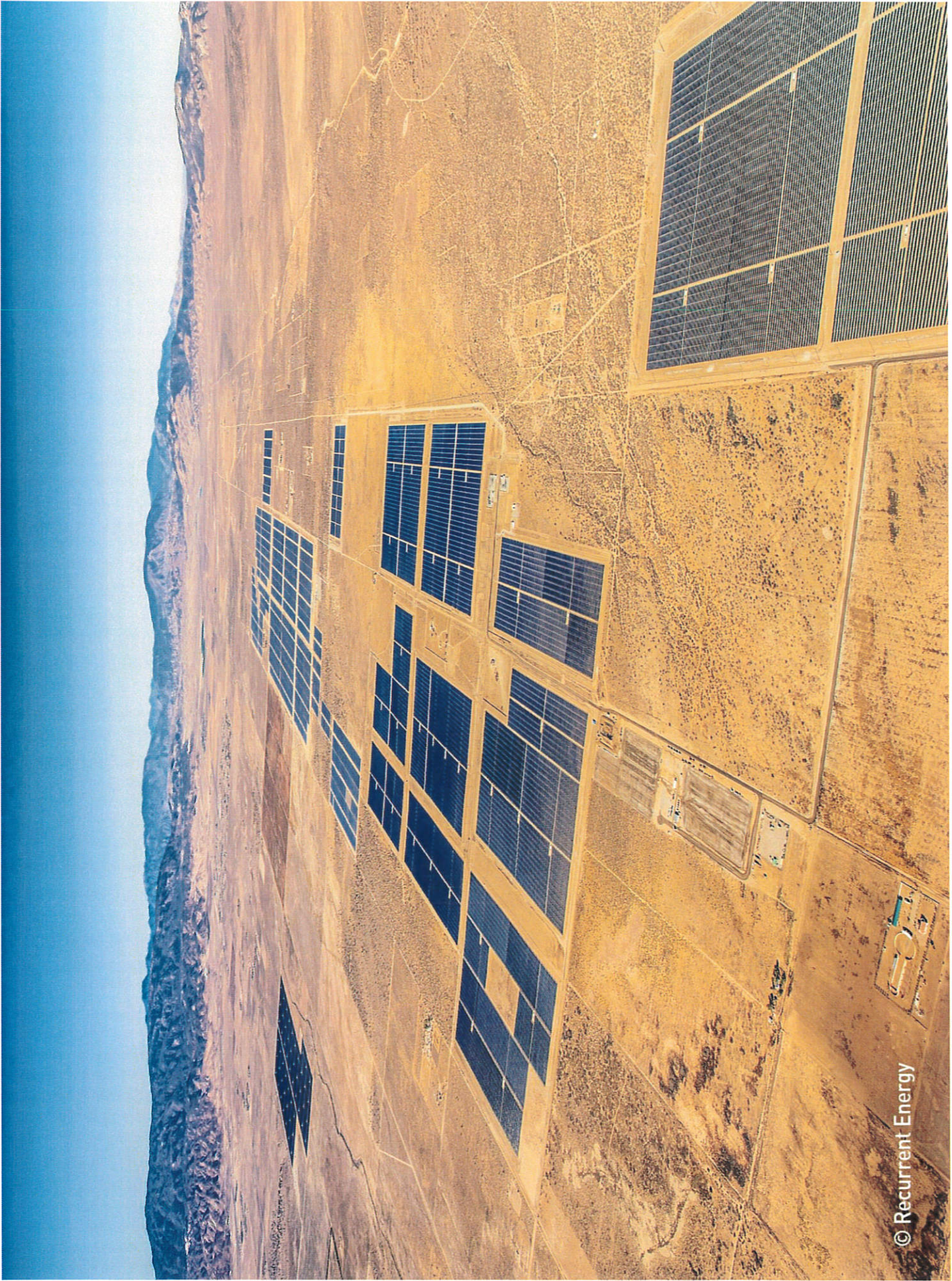


San Juan Unit 3

Replacement Resources

- **Puente Hills (Landfill Gas)**
 - 9 MW capacity
 - Will provide 35% of the City's electricity needs
 - Annual costs are projected to be \$4,900,000
- **Astoria II (Solar)**
 - 8 MW capacity
 - Produces electricity when sunlight is available -- projected to provide 12% of the City's electricity needs
 - Annual costs are projected to be \$1,600,000







Renewable Portfolio Standard

- In 2002 SB1078 set a Renewable Portfolio Standard (RPS) goal of 20% by 2017. In July 2007, the Banning City Council revised the City's RPS and increased the goal from 20% by 2017 to 33% by 2020
- In 2015 the State passed legislation to increase the RPS mandate to 50% by 2030, and just introduced SB100 to mandate 100% by 2045
- The City's intent is to have all new long-term Power Purchase Agreements be for renewable resources
- With the shutdown of San Juan in December 2017 and the renewable power replacing it...
- Banning will be 77% renewable by 2018 – significantly exceeding the States current mandate of 50% by 2030



Regulatory Impacts on Rates

- 2002 – SB1078 RPS 20% by 2017 (\$1,500,000/year)
- 2006 – AB2021 Reduce consumption by 1% per year thru Energy Efficiency (\$300,000/year)
- 2006 – CAISO Increased Reserve percentage; Local RA (Initially \$1.3M/year, but reduced to \$500,000/year)
- 2006 – SB1 Required PV Solar System rebates; Net Energy Metering (NEM) (\$2.5M in rebates; \$300k/year in lost revenue)
- 2006 – AB32 Global Warming Solutions Act; Cap & Trade (\$500,000/year). However, this expense will be eliminated with the closure of San Juan Unit 3



Regulatory Impacts (cont.)

- 2006 – SB1368 Set emissions standards; restricted Capital Investment in “dirty” resources, requiring the divestiture of San Juan Unit 3
- 2011 – SBX1-2 RPS 33% by 2020 (\$1.5M/year energy; \$500,000/year transmission)
- 2015 – SB350 RPS 50% by 2030, Double Energy Efficiency in existing buildings (\$2M/year energy; \$500,000/year transmission)
- 2017 – SB100 RPS 100% by 2045 (cost impact is unknown at this time)



Pending Regulatory Issues

- Energy Storage
- Regionalization of CAISO
- Reduction or elimination of GHG Allowances
- Electric Vehicles
- Electric Vehicle charging infrastructure

Legal Issues

- Proposition 26



Operating Cost Categories

- Net Energy Expense:
 - Cost of all Energy and Capacity resources
 - Wholesale revenues from excess energy sales
- Transmission Expense
 - CAISO – High Voltage (TAC)
 - SCE – Low Voltage (WDAT)
- General Operating Expense
 - Personnel
 - Distribution System O&M
 - Electric Bond Debt Service (CIPs)



Impacts to Operating Costs

- Net Energy Expense:
 - Closure of San Juan (-\$8,600,000/year)
 - Replacement Energy (+\$6,500,000/year)
- Transmission Expense
 - Import renewables (+\$500,000/year by 2020)
 - New Edison WDAT service (+\$1.1M in 1st year; add'l \$267,000 ea year for next nine years)
- General Operating Expense
 - Refunding Electric Bond Debt (-\$500,000/year)
 - Cap & Trade allowances (-\$500,000/year)



Impacts to Retail Revenue

- 2008 Total Retail Sales (kWh): 152,981,066
2011 Total Retail Sales (kWh): 130,214,132

Total Annual Loss:

- kWh: 22,766,934
- Percentage: 15%
- Dollars: **\$3,870,400**

2016 Total Retail Sales (kWh): 139,950,565

- Over 1MW of Distributed Generation (Solar):
Revenue loss of over \$300,000/year



History of Rates

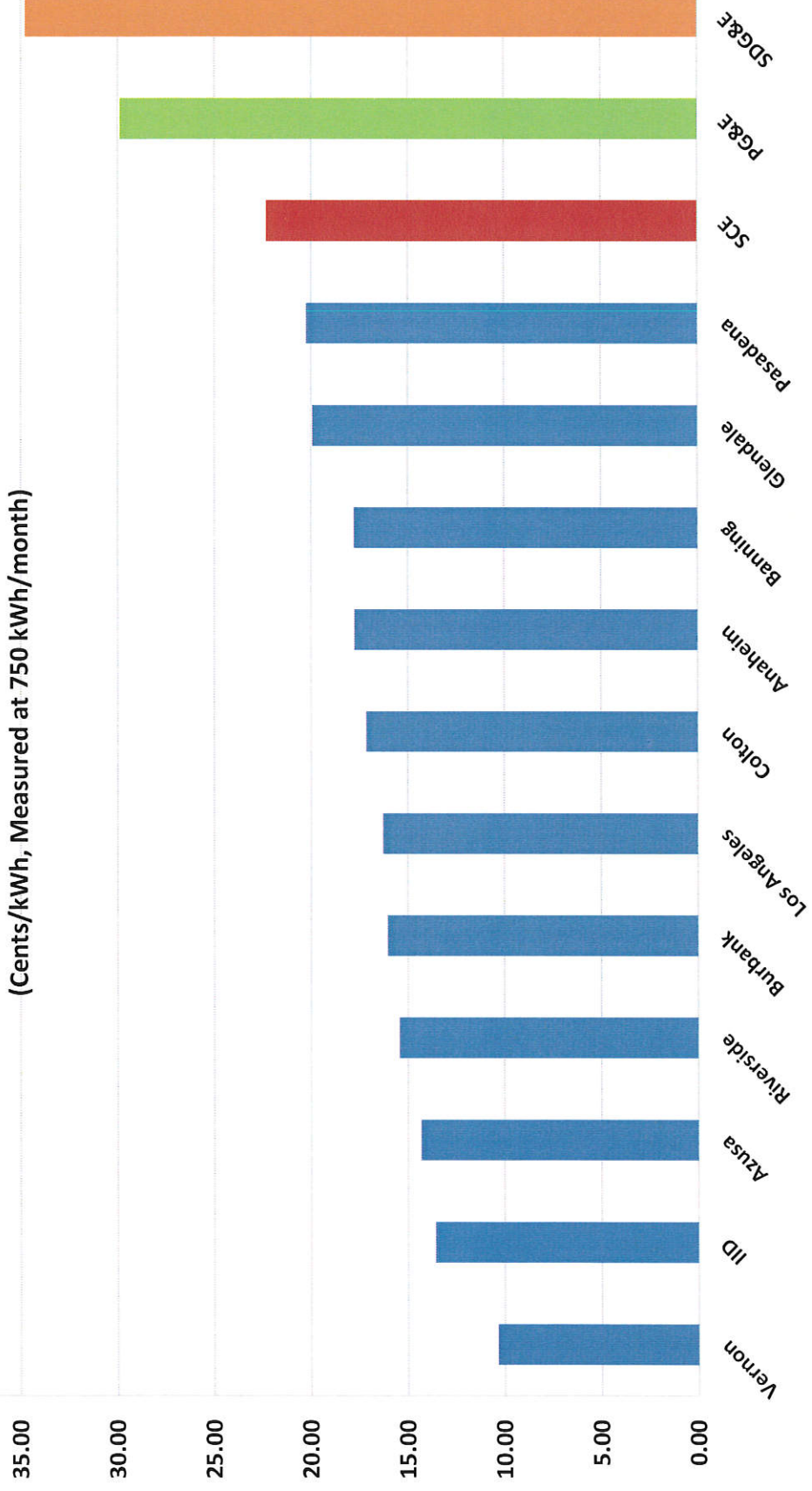
- **Banning:**

- No increases from 1996 - 2007
- 2007 – 19% Increase
- 2009 – 24% Increase
- 2013 – 12% Increase
- 1996 – 2016: Total Increase of 55%
- Projected Increases thru 2020: None

- **Edison**

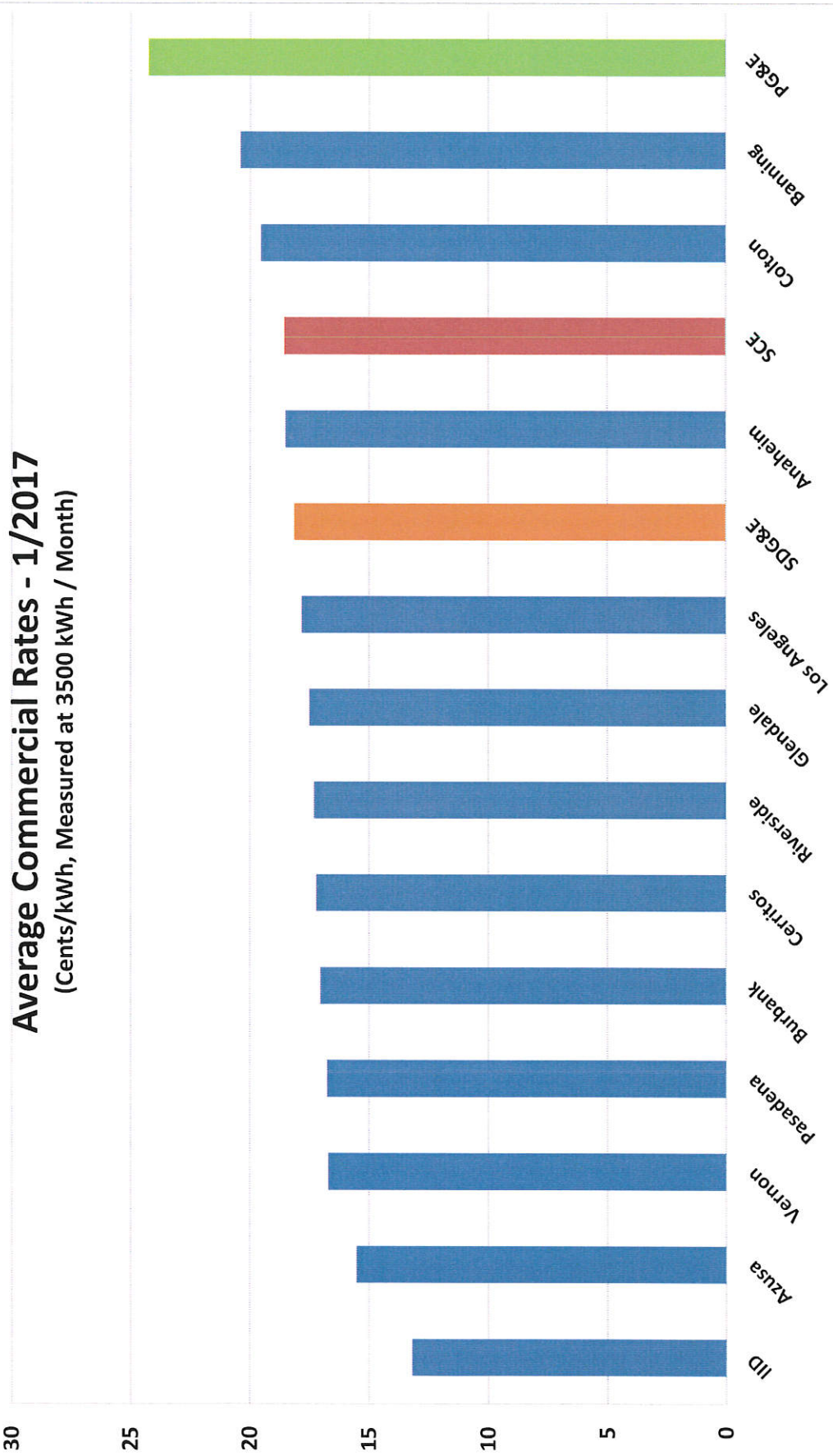
- 1998 – 2016: Total Rate Increase of 84%
- Projected Increases thru 2020: 12%

Average Residential Rates - 3/2017
(Cents/kWh, Measured at 750 kWh/month)

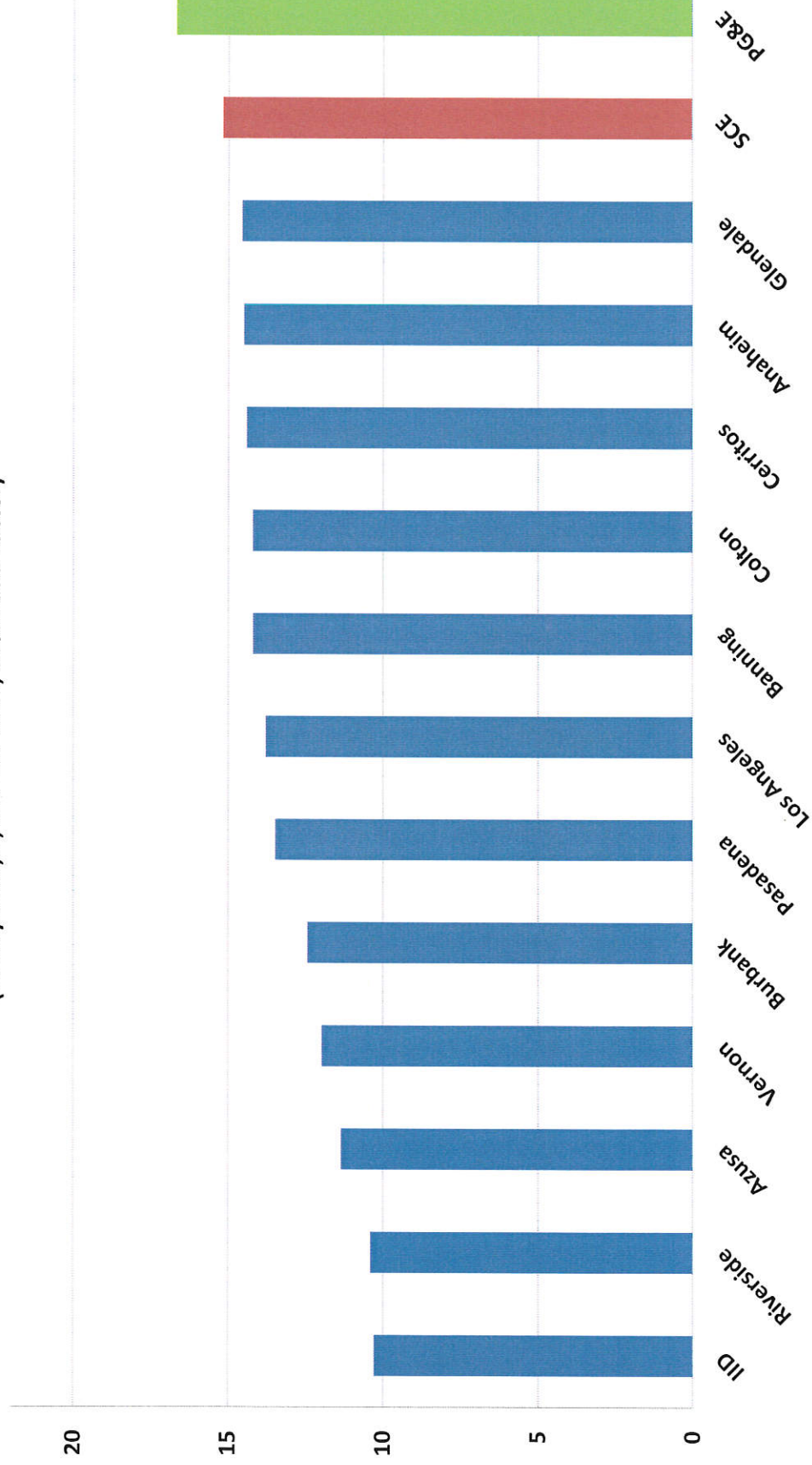


Average Commercial Rates - 1/2017

(Cents/kWh, Measured at 3500 kWh / Month)



Average Industrial Rates 1/2017
(Cents/kWh, 2,000 kW Load, 65% Load Factor)





Benefits of a Municipal Utility

- Local Control
- Customers are owners
- Citizens have active role in Utility
- Contributions to General Fund
 - \$3 Million for police, fire, parks, streets, etc.
 - Cities with Edison only receive 1% Franchise fee
- Generally lower rates than IOUs
- Better Customer Service
- Faster Response Time





Public Benefit Charge

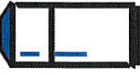
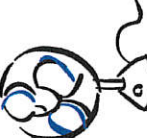
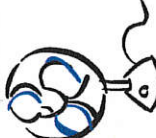
- State mandated non-bypassable charge
- Applies to all electric utility customers
- Assessed at 2.85% of all electric charges
- Funds can only be spent on the following:
 - Renewable Energy
 - Energy Efficiency
 - Research & Development
 - Low Income Assistance



CITY OF BANNING

Public Benefit Programs

Available Rebates

	Energy Star Refrigerator		Energy Star Products
	Residential Shade Trees		Residential Air Conditioning
	Photovoltaic (PV)		Refrigerator Recycling
	Commercial Energy Conservation		Residential Weatherization
	Commercial Weatherization		Commercial Air Conditioning
	Energy Audits		Residential Energy Conservation
	Ultra Low-Flush Toilet		Low Income Assistance

TO RECEIVE ADDITIONAL INFORMATION OR AN APPLICATION FOR REBATES
PLEASE CALL THE BANNING ELECTRIC UTILITY AT

951-849-5224

As ayuda disponible en español.



Looking to the Future

- Divest of San Juan by 12-31-2017
- Keep rates stabilized through 2020
- Implement Smart Meters / AMI Citywide
- Complete Cost of Service Analysis
- Review rate structure to address NEM
 - Fixed vs Variable expense
 - Eliminate cross-subsidies



Questions?