

MINUTES
CITY COUNCIL
BANNING, CALIFORNIA

09/25/18
SPECIAL MEETING

A special joint meeting of the Banning City Council was called to order by Mayor Moyer on September 25, 2018 at 3:01 p.m. at the Banning Civic Council Chambers, 99 E. Ramsey Street, Banning, California.

COUNCIL/BOARD MEMBERS PRESENT: Council Member Peterson
Council Member Welch
Mayor Moyer

COUNCIL MEMBERS ABSENT: Council Member Andrade
Council Member Franklin

OTHERS PRESENT: Rochelle Clayton, Interim City Manager
Kevin Ennis, City Attorney
Tom Miller, Electric Utility Director
Art Vela, Public Works Director
Suzanne Cook, Deputy Finance Director
Jason Smith, Electric Operations Manager
Gina Boehm, Customer Service/Utility Billing Manager
Juanita Munoz, Senior Utility Billing Representative
Sonja De La Fuente, Deputy City Clerk

WORKSHOP

1. Electric Rate Design for Residential Rate Class

Electric Utility Director Tom Miller, presented a report and PowerPoint (see Exhibit "A").

There was discussion among the Council and Mr. Miller regarding the current rate structure.

The Mayor opened Public Comment.

Don Smith explained that he understands the benefits, but believes the poorer customer will probably pay a little more.

Jerry Westholder expressed interest in personally studying the information before a decision is made. He would like to know how it will affect the solar customer.

Paul Perkins would like to know how costs will be reduced.

Seeing no further comments, the Mayor closed Public Comment.

Director Miller explained that the low income customer utilizes an average of 700 kilowatt hours per month, there will be no effect on the solar customers, and they are down to the last 500 AMR meters left to install. The new rate structure would include a flat rate discount for low income customers. Additionally, he would like to remove the street light charge.

Council Member Welch asked if a customer submits a document to qualify for a discount. Director Miller confirmed.

Council Member Peterson requested clarification on the senior discount and low income discount. Director Miller explained both would fall under the low income discount.

Director Miller will prepare a Notice of Public Hearing and Ordinance for consideration at the October 9th City Council Meeting.

ADJOURNMENT

By common consent the meeting adjourned at 4:00 p.m.

Minutes Prepared by:



Sonja De La Fuente, Deputy City Clerk

These Action Minutes reflect actions taken by the City Council. The entire discussion of this meeting can be found by visiting the following website: <https://banninglive.viebit.com/player.php?hash=bwJHszo5M8fH> or by requesting a CD or DVD at Banning City Hall located at 99 E. Ramsey Street.

Exhibit “A”

to the September 25, 2018

3:00 P.M. Special City Council Meeting



City Council Workshop

September 25, 2018

Residential Rate Redesign Discussion

Why are we here?

- Redesigning the Residential Rate Structure
- Review the "Boutique" Subsidies
 - Low-income
 - Medical
 - Senior
- Discuss
 - Rates v. Discounts
- Review \$2/customer/month Street Lighting utility charge
- Develop a "game plan"
 - No action to be taken today but to give direction



Residential Rate Redesign

- Proposition 26
 - Electric "Utility Charges"
 - Proportionality (business piece)
 - Cost of Service
 - Financial goals
 - Revenue Requirements
 - Cash basis
 - Functionalizing costs
 - Allocating costs
 - Utility basis
 - Rate of return on rate base
 - Rate Design (art piece)
 - Rates
 - Tariffs



Residential Rate Redesign

- "REVENUE NEUTRAL"
- We are not impacting:
 - Proportionality
 - Cost of Service
 - Financial goals
 - Revenue Requirements
 - Cash basis
 - Functionalizing costs
 - Allocating costs
 - Utility basis
 - Rate of return on rate base
- We are NOT raising or lowering the revenue requirements
 - Aka NOT raising or lower rates



Bonbright's Principles (Bonbright, 1961)

Fundamental Rate Making Principles

- Paraphrased

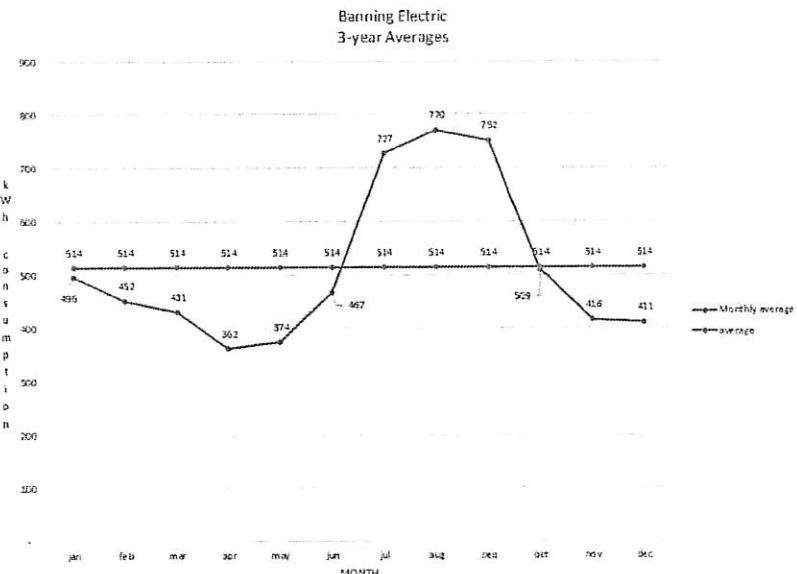
- Practical: simple, understandable, acceptable
- Uncontroversial as to interpretation
- Should meet revenue requirements
- Should provide stable rates
- Fairness among rate classes
- Avoidance of undue discrimination
- Should be economically efficient
- Discourage wasteful usage



Previous rate design average
was 500 kWh/month

Spread	AVG	2015	2016	2017	YEAR
8.05%	496	493	494	502	jan
7.33%	452	422	431	503	feb
6.99%	431	396	355	552	mar
5.88%	362	372	352	363	apr
6.07%	374	375	358	390	may
7.58%	467	475	417	510	jun
11.78%	727	704	648	828	jul
12.49%	770	675	829	807	aug
12.19%	752	700	755	801	sep
8.25%	509	562	515	449	oct
8.74%	416	400	421	426	nov
6.66%	411	422	418	392	dec
100.00%	5,167	5,906	5,993	6,523	Total
	514	499	499	544	Average





Banning Electric Residential Customer's *average* usage is 514 kWh/month

Winter (431 kWh) ~\$0.19

- Customer Charge \$ 3.00
- Baseline 308 kWh
@\$0.1688 \$ 51.99
- From 309-1,000 kWh's
@\$0.2190 (123 kWh) \$ 26.94
- Total \$ 81.93
- >1,000 kWh @\$0.2880
- 8 months (jan, feb, mar, apr, may, oct, nov, dec)

Summer (679 kWh) ~\$0.182

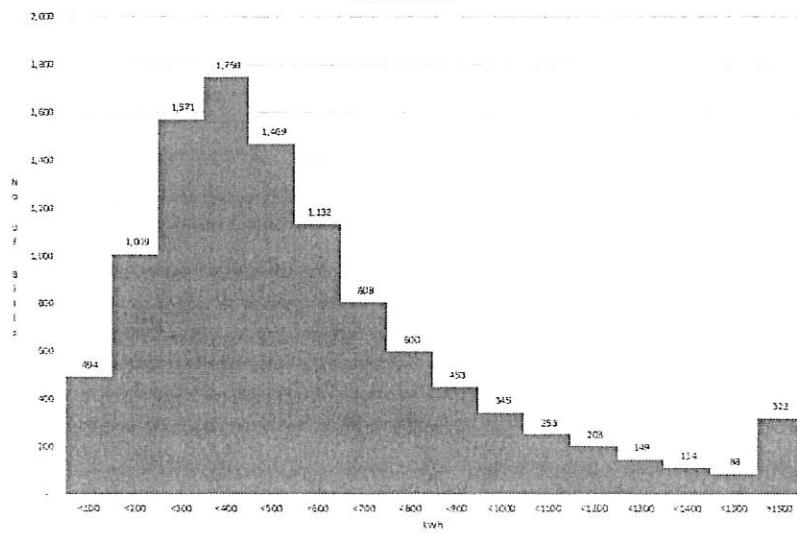
- Customer Charge \$ 3.00
- Baseline 558 kWh
@\$0.1688 \$ 94.19
- From 309-1,500 kWh's
@\$0.2190 (121 kWh) \$ 26.50
- Total \$ 123.69
- >1,500 kWh @\$0.2880
- 4 months (jun, jul, aug, sep)

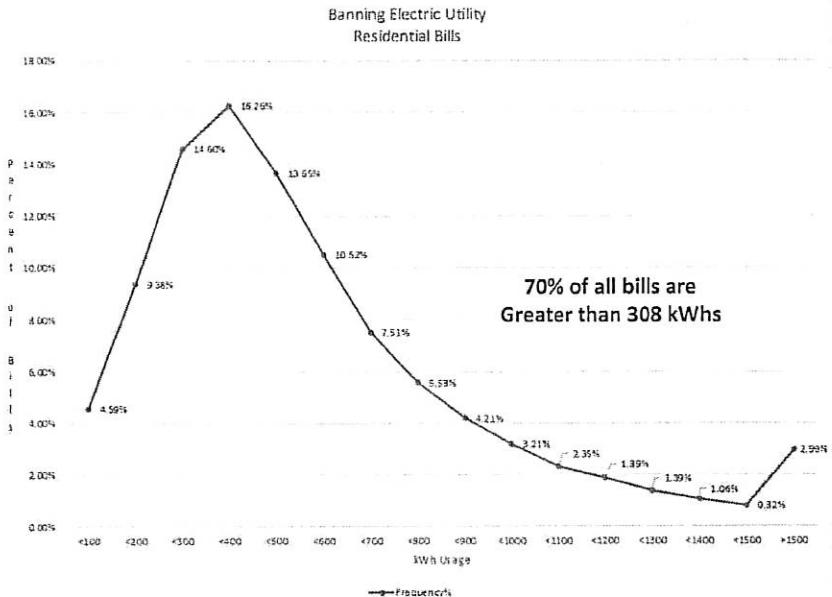
In 2017, Utility Billing issued 129,136 *residential* bills or 10,761 monthly bills (on avg)

<100	494	4.59%
<200	1,009	9.38%
<300	1,571	14.60%
<400	1,750	16.26%
<500	1,469	13.65%
<600	1,132	10.52%
<700	808	7.51%
<800	600	5.58%
<900	453	4.21%
<1000	345	3.21%
<1100	253	2.35%
<1200	203	1.89%
<1300	149	1.39%
<1400	114	1.06%
<1500	88	0.82%
>1500	322	2.99%
	10,761	100.00%



Banning Electric Utility
Residential Bills





LEIDOS, June 2016

Time-of-Use Pricing for All Residential and Commercial Customers

Although some utilities have made time-of-use rates available for several classes of customers, they are generally for larger customers and not universally applied. The time-of-use rates are usually optional, but in some cases mandatory. Most of the California utilities on Table A-1 have time-of-use rates for various customer classes. COB has a time-of-use rate for the large general and industrial customer only. COB's purchased power costs do not vary significantly by the time of day and the residential customer base consists largely of retirees which would not be conducive to time-of-use rates. It should be noted that the IOU's and SMUD are moving toward collapsing tiers and transitioning to time-of-use rates. For IOU's the time-of-use rate is the default rate for commercial customers, and for SCE it is mandatory for commercial customers. These utilities have implemented advanced metering, which would be required for COB to have time-of-use rates.

LEIDOS, June 2016

Tiered Rates

Tiered rates are rates that consist of charges based on usage levels or blocks, and can either be declining or inclining block rates. With declining block rates, increased customer usage is charged a lower rate per unit than lower monthly usages. Inclining block rates charge a higher rate per unit for increased customer usage. In the past, in order to promote electricity usage, many utilities provided declining block-pricing incentives that rewarded higher usage customers with lower prices. However, in today's business environment, many utilities across the country are trying to curb load growth and demand as a means to reduce their exposure to market risks, overall costs and environmental impacts of power production. Utilities now offer rates, including inclining block rates, that encourage a higher load factor, conservation and energy efficiency. As shown on Table A-1, the selected California utilities currently have tiered rates, including COB. It should be noted that the California Investor Owned Utilities (IOU's) and the Sacramento Municipal Utility District (SMUD) are moving toward collapsing the tiered rates and moving more toward time-of-use rates.

LEIDOS, June 2016

Table A-2

City of Banning
Rate Trends Study
Advantages and Disadvantages of Rate Structures

	Advantages	Disadvantages
1. Power Cost Adjustment	Recover utility costs	Customer acceptance may be poor; adds complexity to bills
2. Regulatory Adjustment	Recover utility costs	Adds complexity to bills
3. Increased Fixed Charge	Recover utility fixed costs; justified based on cost of service	Customer acceptance may be difficult; impacts small users
4. Residential Demand Charge	Recover utility fixed costs; justified based on cost of service	Requires advanced metering; customer acceptance may be difficult
5. Small Commercial Demand Charge	Recover utility fixed costs; justified based on cost of service	Requires advanced metering; customer acceptance may be difficult
6. Economic Development Rate	May increase high load factor customers; may lower average costs	Existing customers may not accept; not based on cost of service (i.e. cost of service / fixed distribution costs are not allocated in initial years)
7. Electric Vehicle TOU Rate-Reserves	Provides incentive for charging of peak; may improve system and circuit load factor and lower average costs	Requires separate metering and special billing
8. Electric Vehicle Public Charging Stations	Provides utility owned EV public charging stations; justified based on cost of service	Administrative burden
9. Standby Charge	Recover fixed distribution costs	Adds complexity to bills; may discourage distributed generation; does not apply to NEM
10. Net Metering Rate	Provides distributed generation; helps meet California mandates	May not recover fixed distribution costs
11. TOU for Residential	Same as TOU to change customer behavior; may improve system load factor and lower average costs	Requires advanced metering and may not be understood by customers
12. TOU for Small & Medium Commercial	Same as TOU to change customer behavior; may improve system load factor and lower average costs	Requires advanced metering and may not be understood by customers
13. Underused Rates	Tracks revenues by generation, transmission and distribution	Adds complexity to bills; customer acceptance may be difficult
14. Real-Time Pricing	True cost based rate; may be advantageous for industrial customers	Requires advanced metering, communications and billing systems
15. Smart Lighting LED Rates	Recover cost by LED fixture type if energy is unmeasured	Administrative burden
16. Seasonal Rates	Tracks costs by season	Adds complexity to bills
17. Fixed Rates	Provides compensation; recovers utility costs	Impacts large users; may produce revenue volatility

LEIDOS, June 2016

Table A-3

City of Banning
Rate Trends Study
Rate Structure Rankings

	Customer Acceptance	Causes Customer to Change Usage Behavior	Ability to Implement from a Technological Perspective	Social, Legal and Regulatory Barriers Affecting Implementation	Financial Risks Related to Implementation	Costs Related to Implementation	Potential Benefits to Utility's Financial Stability
1 Power Cost Adjustment	Moderate	Moderate	Easy	Moderate	Low	Low	High
2 Regulatory Adjustment	Moderate	Moderate	Easy	Moderate	Low	Low	High
3 Increased Fixed Charge	Difficult	Moderate	Easy	Moderate	Low	Low	High
4 Residential Demand Charge	Difficult	High	Moderate	Moderate	High	Moderate	High
5 Small Commercial Demand Charge	Difficult	High	Moderate	Moderate	Moderate	Moderate	High
6 Economic Development Rate	Moderate	High	Easy	Moderate	Moderate	Low	High
7 Electric Vehicle TOU Rate	Easy	High	Moderate	Moderate	Moderate	Moderate	High
8 Electric Vehicle Public Charging Stations	Moderate	High	Easy	Moderate	Low	Moderate	High
9 Standby Charge	Moderate	High	Low	Low	Low	Low	High
10 Net Metering Rate	Easy	High	Moderate	Low	High	Moderate	Low
11 TOU for Residential	Difficult	High	Moderate	Difficult	High	Moderate	High
12 TOU for Small & Medium Commercial	Moderate	High	Moderate	Moderate	Moderate	Moderate	High
13 Unbundled Rates	Moderate	Moderate	Easy	Moderate	Low	Low	High
14 Real-Time Pricing	Difficult	High	Difficult	Moderate	Moderate	Moderate	High
15 Street Lighting LED Rates	Easy	Moderate	Easy	Low	Low	Low	High
16 Seasonal Rates	Easy	Moderate	Easy	Low	Low	Low	High
17 Tiered Rates	Moderate	High	Easy	Moderate	Moderate	Low	Moderate

Functional cost per kWh.....

- Generation \$0.0884
- Transmission \$0.0305
- Distribution \$0.0596
- Customer Billing \$0.0152
- **Total** **\$0.1937**

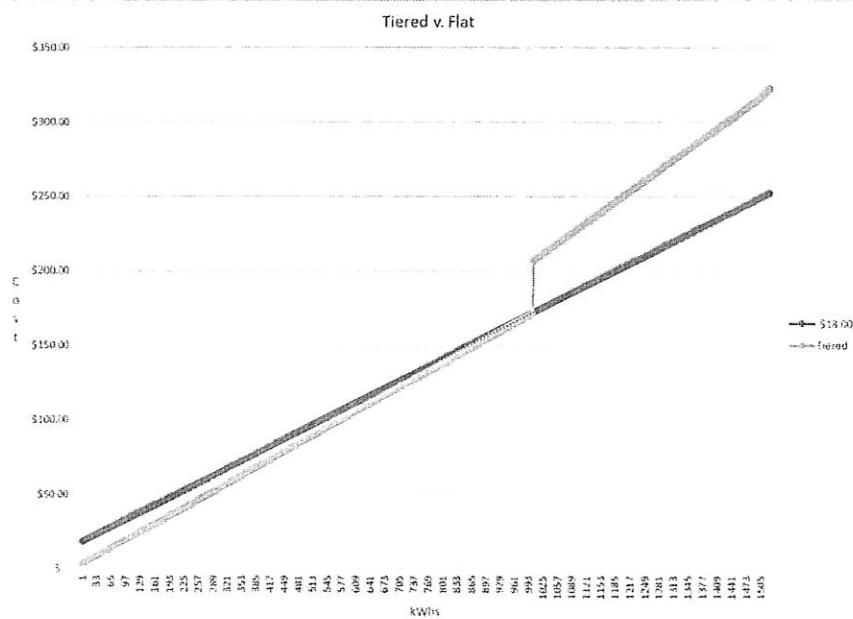
G&T
\$0.1189



LEIDOS – June 2017

Proposed Rate Design

- Distribution Network Charge \$18.00/billing cycle
- Energy Charge per kWh \$ 0.15232/all energy

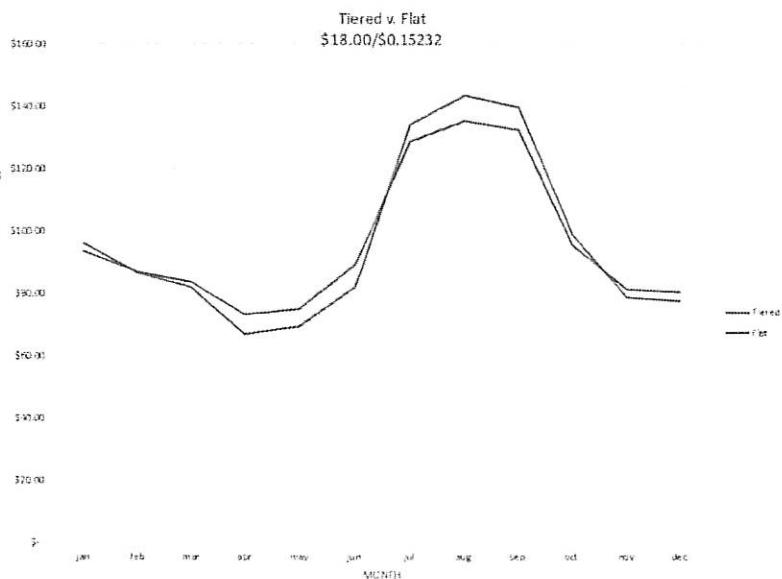


Tiered Rate v. Flat Rate AVERAGE CUSTOMER

Month	Avg	308	558	\$ 0.2190	\$ 0.1688	\$/C	Total
jan	496	188		\$ 41.17	\$ 5199	\$ 3.00	\$ 96.16
feb	452	144		\$ 31.54	\$ 5199	\$ 3.00	\$ 86.53
mar	431	123		\$ 26.94	\$ 5199	\$ 3.00	\$ 81.93
apr	362	54		\$ 11.83	\$ 5199	\$ 3.00	\$ 66.82
may	374	66		\$ 14.45	\$ 5199	\$ 3.00	\$ 69.44
jun	467		(91)		\$ 78.83	\$ 3.00	\$ 81.83
Jul	727		109	\$ 37.01	\$ 94.19	\$ 3.00	\$ 134.20
aug	770		212	\$ 46.43	\$ 94.19	\$ 3.00	\$ 143.62
sep	752		194	\$ 42.49	\$ 94.19	\$ 3.00	\$ 139.68
oct	509	201		\$ 44.02	\$ 5199	\$ 3.00	\$ 99.01
nov	416	108		\$ 23.65	\$ 5199	\$ 3.00	\$ 78.64
dec	411	103		\$ 22.56	\$ 5199	\$ 3.00	\$ 77.55
Total	6,167	907	464	\$ 342.08	\$ 777.32	\$ 36.00	\$ 1,155.40
Average	614			29.61%	67.26%	3.12%	\$ 0.18734

New S/C	\$ 0.15232	Total
\$ 18.00	\$ 75.60	\$ 93.60
\$ 18.00	\$ 68.85	\$ 86.85
\$ 18.00	\$ 65.65	\$ 83.65
\$ 18.00	\$ 55.19	\$ 73.19
\$ 18.00	\$ 57.02	\$ 75.02
\$ 18.00	\$ 71.18	\$ 89.18
\$ 18.00	\$ 110.69	\$ 128.69
\$ 18.00	\$ 117.34	\$ 135.34
\$ 18.00	\$ 114.54	\$ 132.54
\$ 18.00	\$ 77.48	\$ 95.48
\$ 18.00	\$ 63.31	\$ 81.31
\$ 18.00	\$ 62.55	\$ 80.55
\$ 216.00	\$ 939.41	\$ 1,155.41
	18.69%	01.31%
		\$ 0.18734

\$0.03503 \$ 0.15233 \$ 0.18735



Revenue Neutral – 2017 Summary

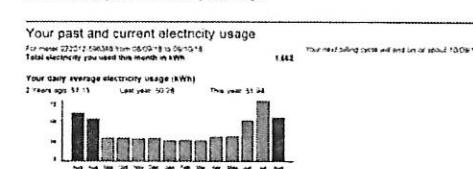
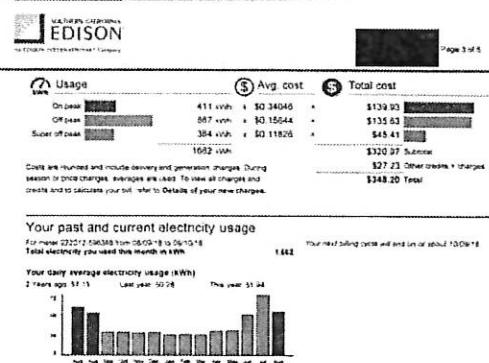


Current:				New:			
	kWh	Rate	Revenue		Rate	Revenue	
BAS1	39,236,249	\$ 0.1688	\$ 6,623,078.82	Energy Charge	\$ 0.15232	\$ 9,092,585.96	
BAS2	18,869,435	\$ 0.2190	\$ 4,132,406.28				
BAS3	1,588,289	\$ 0.2880	\$ 457,427.23				
Customers	9,309	\$ 3.00	\$ 355,139.00	Customer Charge	\$ 18.00	\$ 2,010,834.00	
Monthly Average:	534.35						Delta
Total Annual Charges:			\$ 11,548,051.32			\$ 11,103,419.96	444,631
	514.00						
	20.35						
	2,273,490.98						
							\$ 346,298
							\$ 98,333

Doable
645,569 kWh

Bottom Line:

\$0.20951



Continued on next page

Questions or discussion on the proposal?

- Tiered Rates
 - Produce revenue volatility
 - Hard on large users
 - Complicated
 - Used to change lifestyles
 - Controversial
 - Cost of Service - moderate
- Flat Rate
 - Revenue stability
 - Hard on small users
 - Easy
 - Promotes a good standard of living
 - Non-controversial
 - Cost of Service - easy



“Boutique” Rates

- Boutique means small and exclusive
- Examples at Banning Electric:
 - Low-income rate (Baseline rate from \$0.1688 to \$0.0972 on 308/558 kWh) ~\$336 annually
 - BEAR
 - Master Meter Customers
 - Senior Discount (Service Charge from \$3.00 to \$1.00) ~\$24 annually
 - Medline (Baseline addition from 308/558 kWh to 808/1058 kWh) ~\$301 annually
- Each program can be added to the other
- Tri-Fecta of \$661 annually 52% annual discount



Public Benefit Program = ~\$750,000
 Non-by passable charge of 2.85% of electric bill revenue

- Promote Energy Efficiency
 - Appliance rebates
 - Weatherization rebates
- Research and Development
 - New technologies
- Renewable Energy
 - Solar rooftops
 - Distributed Energy Resources
- Education and Information
 - Promotion of Public Benefit Programs
- Low-Income Subsidies

Value of the Boutique Subsidies

2017-2018

- BEAR \$ 290,553
- Master Meter \$ 31,747
- Senior Discount \$ 13,213
- Medline \$ 560,723
- Total \$ 896,236
- Average Monthly Cust. 1,448
- Average Monthly subsidy \$52

2016-2017

- BEAR \$ 283,771
- Master Meter \$ 27,358
- Senior Discount \$ 13,100
- Medline \$ 581,802
- Total \$ 906,031
- Average Monthly Cust. 1,406
- Average Monthly subsidy \$54

Service Characteristics

- Residential
 - Single phase service at 7200 Volts
 - Transformer 15 kVA
 - 120/240 Voltage
 - Service Panel at 125 amps (generally speaking)
 - Meter and meter socket
- How does the service characteristics change?
 - Low-income?
 - Medline?
 - Senior Citizen?
- Bonbright's principle
 - Avoidance of undue discrimination in rate relationships

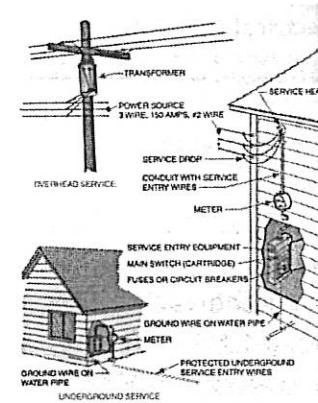


Fig. 31-1 III Electrical distribution to buildings.

Rate v. Discount

- Recommendation is not to do Boutique rates
- Recommendation is to do discounts
 - Medline \$25/month
 - Low-income \$30/month
 - Maximum subsidy of \$50/month
- Recommendation is to fund discounts:
 - Medline as a cost of goods discount per accounting treatment
 - Low-income as a public benefits discount per code



Any questions on Boutique Discounts?

- Increase low-income from \$25 to \$30/customer/month
- Maintain Medline discount at \$25
- Suspend senior discount
- Maximum discount \$50/customer/month



Street Light Charge

- Banning Electric Utility owns a street lighting and related secondary power distribution system
- Generally speaking, the City's Public Works department directs the location and installation of street lights
- In many instances a developer installs the street lights in a new development and dedicates the street lighting to Banning Electric
- Maintenance of street lighting system is a budgeted expense
- New LED light fixtures have proven to be low replacement
- Who is the appropriate benefactor of the street lighting system?
- Currently charge all customers \$2/month ~\$313,829 in 2017

Street Light Charges – Need more homework

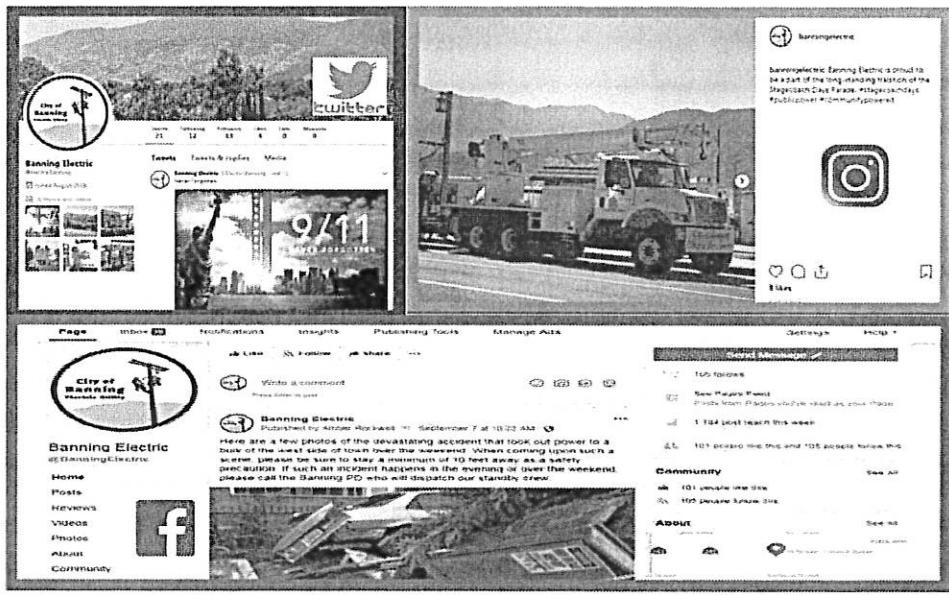
- \$2/customer/month?
- Total amount of capital invested in LED lighting
- Rate of return on investment
- Annual cost of maintenance
- Estimate kWh consumption (energy and demand)
- Cost of service approximately \$179,219 direct assignment to street lighting (LEIDOS, June 2017)

Street Lighting

- Recommend suspending the \$2 charge/customer/month?
- Recommend building into Flat Rate structure?
- Council wishes?



Banning Electric



Recap of discussion

- Flat Rate
- Discounts
- Street Lights
- Next steps?
 - Notice of Public Hearing
 - Resolution to append rates
 - Council action
 - 30 day implementation
- Rate Freeze

