



City of Needles, California

Request for City Council Action

☒ CITY COUNCIL ☒ NPUA

☒ Regular ☐ Special

Meeting Date: May 13, 2025

Title: Adopt a Power Purchase Cost Adjustment (PCA) for the period from December 2024 to March 2025 and approve a decrease in the over-hydro rate from \$0.1338 to \$0.1238 effective June 1, 2025

Background: In April 2022, the Board of Public Utilities revised its Statement of Policies to require that the Power Cost Adjustment (PCA) Fund Balance maintain a reserve equal to 20% of annual over-hydro budgeted power costs. For Fiscal Year 2025 (FY25), this reserve target is \$1,056,000 based on an over-hydro budget of \$5,280,000.

As of March 2025, the PCA Fund Balance stands at \$2,302,408, exceeding the reserve requirement. This surplus results from historically low power purchasing costs, favorable term contracts through September 2025, and limited spot purchases. The original PCA rate of \$0.1538 per kilowatt-hour (kWh) was set in October 2024. A \$0.02 reduction lowered the rate to \$0.1338 in January 2025; however, lower-than-expected over-hydro usage between December 2024 and March 2025 led to a higher fund balance than projected.

To refund the surplus while maintaining the reserve requirement, staff recommends an additional \$0.01 per kWh rate reduction, lowering the over-hydro rate to \$0.1238 effective June 1, 2025. This adjustment is expected to refund approximately \$1,587,398.54 to all customer classes by September 2025.

Month	Forecast Over-Hydro KWH	Forecast .02 rate reduction 0.1338	Actual Refunded	Forecast .03 rate reduction 0.1238
February	4,804,342	96,086.84	95,799.82	
March	5,440,841	108,816.82	89,775.16	
April	4,472,384	89,447.68		134,171.52
May	5,760,637	115,212.74		172,819.11
June	7,459,366	149,187.32		223,780.98
July	9,397,720	187,954.40		281,931.60
August	10,133,982	202,679.64		304,019.46
September	9,503,363	190,067.26		285,100.89
Total estimated to be refunded to customer classes		1,139,452.70		1,587,398.54

The Board of Public Utilities approved the recommended action on May 6, 2025.

Fiscal Impact: A \$0.03 per kWh rate reduction, lowering the over-hydro rate to \$0.1238, will refund approximately \$1,587,398.54 to all customer classes through September 2025.

Environmental Impact: None

Recommended Action: Approve a Power Purchase Cost Adjustment for the period December 2024 to March 2025 and reduce the over-hydro rate from \$0.1338 to \$0.1238, with a reduction of .03 power cost adjustment effective June 1, 2025.

Submitted By: Rainie Torrance, Utility Manager

City Manager Approval: Patrick J Martinez Date: 5/1/2025

Other Department Approval (when required): Barbara Dileo Date: 5/8/2025

Approved: ☐

Not Approved: ☐

Tabled: ☐

Other: ☐

Agenda Item: _____