



CITY OF NEEDLES, CALIFORNIA STAFF REPORT

☐ CITY COUNCIL/NPUA ☒ Board of Public Utilities ☒ Regular ☐ Special

Meeting Date: July 2, 2024

Title: Electric Tiered Rates Discussion

Background: The electric rate setting policy sets hydro and over-hydro rates. The current policy increases the Basic Service Charge based on an annual cost of living adjustment (COLA) and recalculates the seasonal hydro, over-hydro allotment, and conservation charge based on the remaining revenue requirements. Current policies require electric rates to be reevaluated annually, and a rate study must be conducted every three years or as needed.

Hydropower rates, which vary for winter and summer months, are charged based on a per-account allocation of the seasonal total hydropower allocated to the city. Customers who exceed their monthly allotment of hydropower are also charged an "over-hydro" rate for the power consumed in excess of their allotment. The Electric Utility's rate stabilization reserve and PCA balancing reserve, both of which serve to mitigate potential shocks from unforeseen events.

Tiered rates are a common approach that electric utilities use to bill customers. California is one of the few states with "inverted tier rates." These are also called baseline rates. These rates help discourage excessive energy consumption and reward homeowners for minimizing electricity usage. The Board of Public Utilities reviewed the option to implement a tiered rate system; however, data was not available to recommend implementation at the time. Since then, the city has installed automatic meters that provide customer demand reads needed to develop a tiered rate structure. The city will complete a rate study in FY 25 and can incorporate developing a tiered rate structure.

Fiscal Impact: To be determined

Recommended Action: Discussion Only

Submitted By: Commissioner LeJune

City Management Review: *Patrick J. Martinez* **Date:** 6/24/2024

Approved: <input type="checkbox"/>	Not Approved: <input type="checkbox"/>	Tabled: <input type="checkbox"/>	Other: <input type="checkbox"/>
Agenda Item: _____			