



## LODI CITY COUNCIL

Carnegie Forum  
305 West Pine Street, Lodi

## "SHIRTSLEEVE" SESSION

Date: January 12, 2016

Time: 7:00 a.m.

For information regarding this Agenda please contact:

**Jennifer M. Ferraiolo**

**City Clerk**

**Telephone: (209) 333-6702**

### Informal Informational Meeting

**A. Roll Call by City Clerk**

**B. Topic(s)**

B-1 Discussion Regarding Meal Reimbursements/Payments (CM)

B-2 Residential Electric Rate Design Options (EU)

**C. Comments by Public on Non-Agenda Items**

**D. Adjournment**

Pursuant to Section 54954.2(a) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day.

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Jennifer M. Ferraiolo  
City Clerk

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**CITY OF LODI  
COUNCIL COMMUNICATION**

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**AGENDA TITLE:** Discussion Regarding Meal Reimbursements/Payments

**MEETING DATE:** January 12, 2016

**PREPARED BY:** Deputy City Manager

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**RECOMMENDED ACTION:** Discussion regarding meal reimbursements/payments.

**BACKGROUND INFORMATION:** Staff is in the process of updating the City Travel Policy and seeks Council input regarding meal reimbursements/payments.

AB 1234, codified in Government Code Sections 53232.2 and 53232.3, requires that Council members and appointees be reimbursed for actual expenses for all actual and necessary travel expenses incurred in the performance of official duties. However, staff can be paid on a per diem basis instead of actual cost reimbursements for travel-related meal expenses.

While actual expenses, supported by detailed receipts, is the most accurate method of handling meal expenses, the process of retaining receipts and verifying expenses is very cumbersome for Council members, appointees and City staff. Per diem rates allow for a fixed-amount payment for meal expenses and are much easier to administer.

Staff seeks Council input on whether to allow multiple methods for meal reimbursements/payments (actual cost, supported by detailed receipts for Council and appointees and per diem payment for staff) before bringing a revised policy forward for Council approval.

**FISCAL IMPACT:** Processing meal payments on a per diem basis for staff is administratively easier.

**FUNDING AVAILABLE:** Not applicable.

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Jordan Ayers  
Deputy City Manager

JA/ja

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**APPROVED:** \_\_\_\_\_  
Stephen Schwabauer, City Manager



# CITY OF LODI COUNCIL COMMUNICATION

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**AGENDA TITLE:** Residential Electric Rate Design Options

**MEETING DATE:** January 12, 2016

**PREPARED BY:** Electric Utility Director

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**RECOMMENDED ACTION:** Receive report on residential electric rate design options.

**BACKGROUND INFORMATION:** The business models of electric utilities are changing. Whereas historically utilities were the sole providers of electricity, customers now have the option to install their own generation, such as solar.

With the traditional electric utility business model, all costs associated with providing electricity to customers are recovered through consumption-based rates. The revenues received are then used to pay for the generation, transmission, distribution system, and other operational and regulatory expenses incurred by the utility.

In addition, under this traditional business model, distribution systems have been designed to meet standard customer requirements. However, distribution systems are now forced to accommodate customer-owned generation as well. As such, it has become necessary for electric utilities to evaluate the impact of these changes so that the utility is still able to recover sufficient revenue to provide appropriate design and maintenance of the distribution system, while ensuring one group of customers is not benefitting at the expense of another.

EES Consulting and staff provided a presentation to the City Council on September 29, 2015. Included in the presentation was a discussion of the impact to electric utility revenues as a result of industry changes and a presentation with respect to how other utilities are addressing these changes through differing rate structures and charges.

EES Consulting and staff will continue the discussion and provide specific rate design options and present the impacts associated with each of those options in an effort to address the challenges associated with the changing electric utility business model.

**FISCAL IMPACT:** Not applicable.

**FUNDING AVAILABLE:** Not applicable.

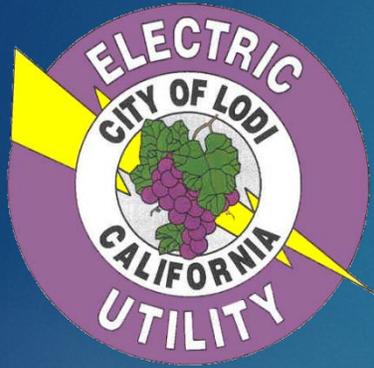
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Elizabeth A. Kirkley  
Electric Utility Director

**PREPARED BY:** Melissa Price-Cadek, Rates & Resources Manager  
EAK/MPC/ke

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**APPROVED:** \_\_\_\_\_  
Stephen Schwabauer, City Manager



# Lodi Electric Utility (LEU)

Residential Electric Rate Design Options  
January 12, 2016

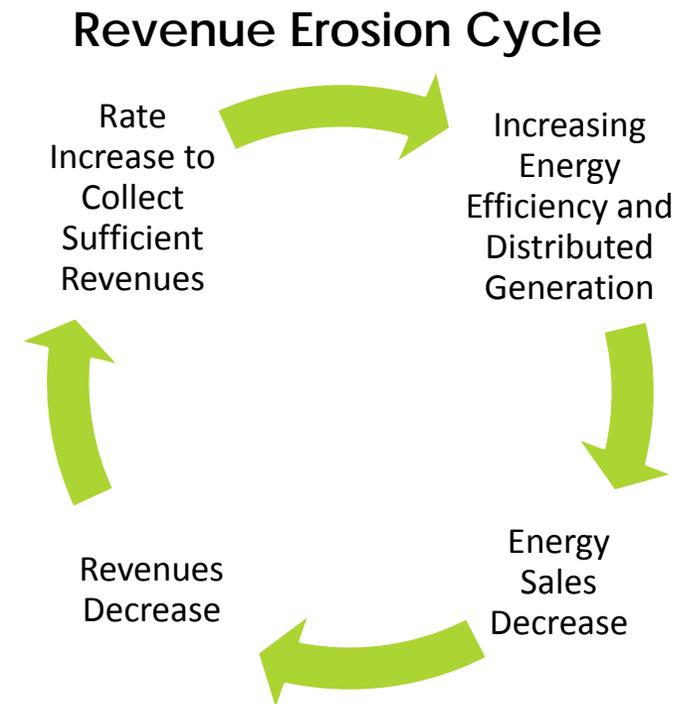
# Agenda

- ▶ Background
- ▶ Rate Design Methodology
- ▶ Historical Data
- ▶ Current Rate Calculation
- ▶ Rate Options and Impacts
- ▶ Rate Design Goals
- ▶ Summary and Conclusions
- ▶ Next Steps / Questions



# Background

- ▶ City Council Shirtsleeve – September 2015
  - ▶ Changing Electric Utility Business Model
    - ▶ Solar
    - ▶ Battery Storage
    - ▶ Energy Efficiency
  - ▶ Revenue erosion cycle
  - ▶ Collection of fixed costs
  - ▶ Solutions by other utilities
  - ▶ Rate design options for LEU



# Rate Design Methodology

- ▶ FY 14/15 metered residential data
  - ▶ Usage by tier and season
- ▶ Collection of FY 14/15 revenue @ current rates
  - ▶ Includes minimum charge revenue
- ▶ Distinct customer profiles to evaluate impacts
  - ▶ General
  - ▶ Low Income / Fixed Income
  - ▶ Solar
- ▶ Compare results to current rates
  - ▶ Differing usage levels

# Historical Data Summary

|                | Residential    |         | Low Income     |         | Fixed Income   |         | Solar          |         |
|----------------|----------------|---------|----------------|---------|----------------|---------|----------------|---------|
|                | Usage<br>(kWh) | Revenue | Usage<br>(kWh) | Revenue | Usage<br>(kWh) | Revenue | Usage<br>(kWh) | Revenue |
| <b>Tier 1</b>  | 65%            | 55%     | 70%            | 60%     | 76%            | 71%     | 67%            | 57%     |
| <b>Tier 2</b>  | 11%            | 10%     | 11%            | 9%      | 11%            | 11%     | 10%            | 9%      |
| <b>Tier 3</b>  | 15%            | 19%     | 13%            | 17%     | 10%            | 15%     | 13%            | 17%     |
| <b>Tier 4</b>  | 7%             | 12%     | 5%             | 10%     | 2%             | 4%      | 7%             | 13%     |
| <b>Tier 5</b>  | 2%             | 4%      | 1%             | 3%      | 0%             | 0%      | 2%             | 5%      |
| <b>Average</b> | 556            | \$96    | 503            | \$84    | 484            | \$76    | 367            | \$57    |

# Current Rate Calculation

## Example: General Residential Bill – July

|                          |                 |
|--------------------------|-----------------|
| Energy Used (kWh)        | 750             |
| <hr/>                    |                 |
| Charge per kWh           |                 |
| 481 kWh x \$0.14910      | \$71.72         |
| 144 kWh x \$0.15225      | \$21.92         |
| 125 kWh x \$0.23468      | \$29.34         |
| <hr/>                    |                 |
| Total Energy Charges     | \$122.98        |
| <br>                     |                 |
| CA Solar Surcharge (CSS) |                 |
| 750 kWh x \$0.00125      | \$0.94          |
| <hr/>                    |                 |
| <b>Total Bill Amount</b> | <b>\$123.92</b> |



# Rate Options

- ▶ Minimum Bill
- ▶ Fixed Charge
- ▶ Simplify Tiers
  - ▶ 4 Tiers
  - ▶ 3 Tiers
  - ▶ 2 Tiers
  - ▶ Flat Rates
- ▶ Combination of above



# Rate Design Goals

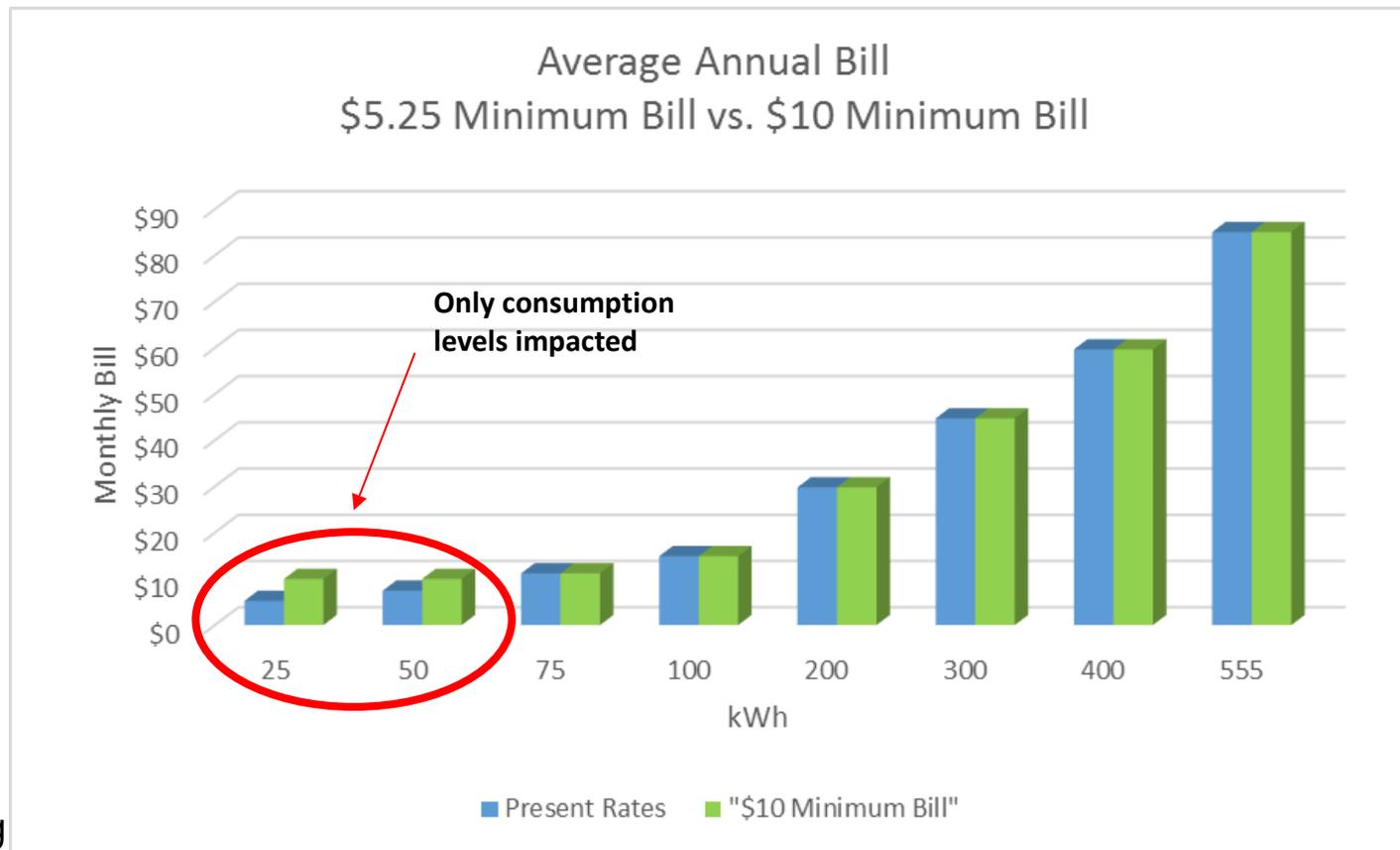
- ▶ Collect sufficient revenue
- ▶ Fairly allocate costs
  - ▶ Collect distribution system costs from **ALL** users
- ▶ Minimize impacts
  - ▶ Avoid “rate shock”
- ▶ Encourage energy efficiency
- ▶ Simple and easy to understand

# Minimum Bill

- ▶ Only collects revenues when usage is very low
- ▶ Current minimum bill - \$5.25/month
  - ▶ Collects \$15,000 per year (0.06% of revenues)
  - ▶ Impacts 490 customers
- ▶ Important: Only applies when usage is less than 35 kWh/month
  - ▶  $10 \text{ kWh} * \$0.1491 = \$1.49$ 
    - ▶ Minimum bill of \$5.25 applies
  - ▶  $50 \text{ kWh} * \$0.1491 = \$7.46$
- ▶ Minimum bill increase to \$10 per month (similar to PG&E)
  - ▶ Collects \$90,000 per year (0.4% of revenues)
  - ▶ Impacts 780 customers
  - ▶ Applies only when usage is less than 68 kWh/month



# Minimum Bill Impact

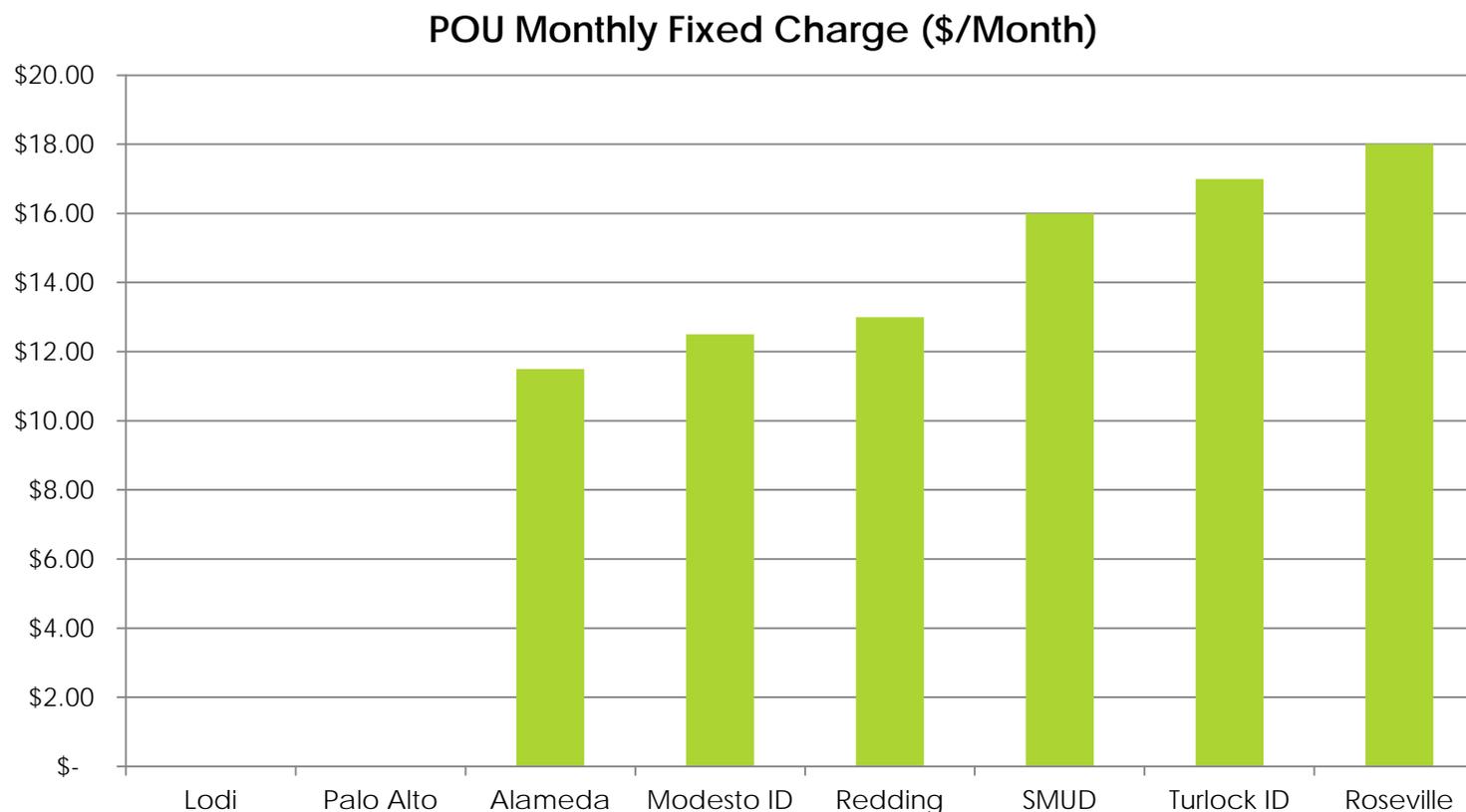


# Fixed Charge

- ▶ Collects fixed amount every month, **regardless of usage**
- ▶ Most common rate design
  - ▶ Fixed charge pays for distribution system
  - ▶ Distribution system ready to serve **all** customers at **any** time
    - ▶ Including solar customers
- ▶ \$10 fixed monthly charge
  - ▶ Requires all customers pay \$10/month
  - ▶ 10 kWh customer pays \$10/month + (10 kWh \* \$0.1491) = \$11.49
  - ▶ 50 kWh customer pays \$10/month + (50 kWh \* \$0.1491) = \$17.46
- ▶ \$10 fixed monthly charge
  - ▶ Collects \$2.6 million per year (10.2% of revenues)
  - ▶ Average customer bill would increase by approximately \$2.85/month



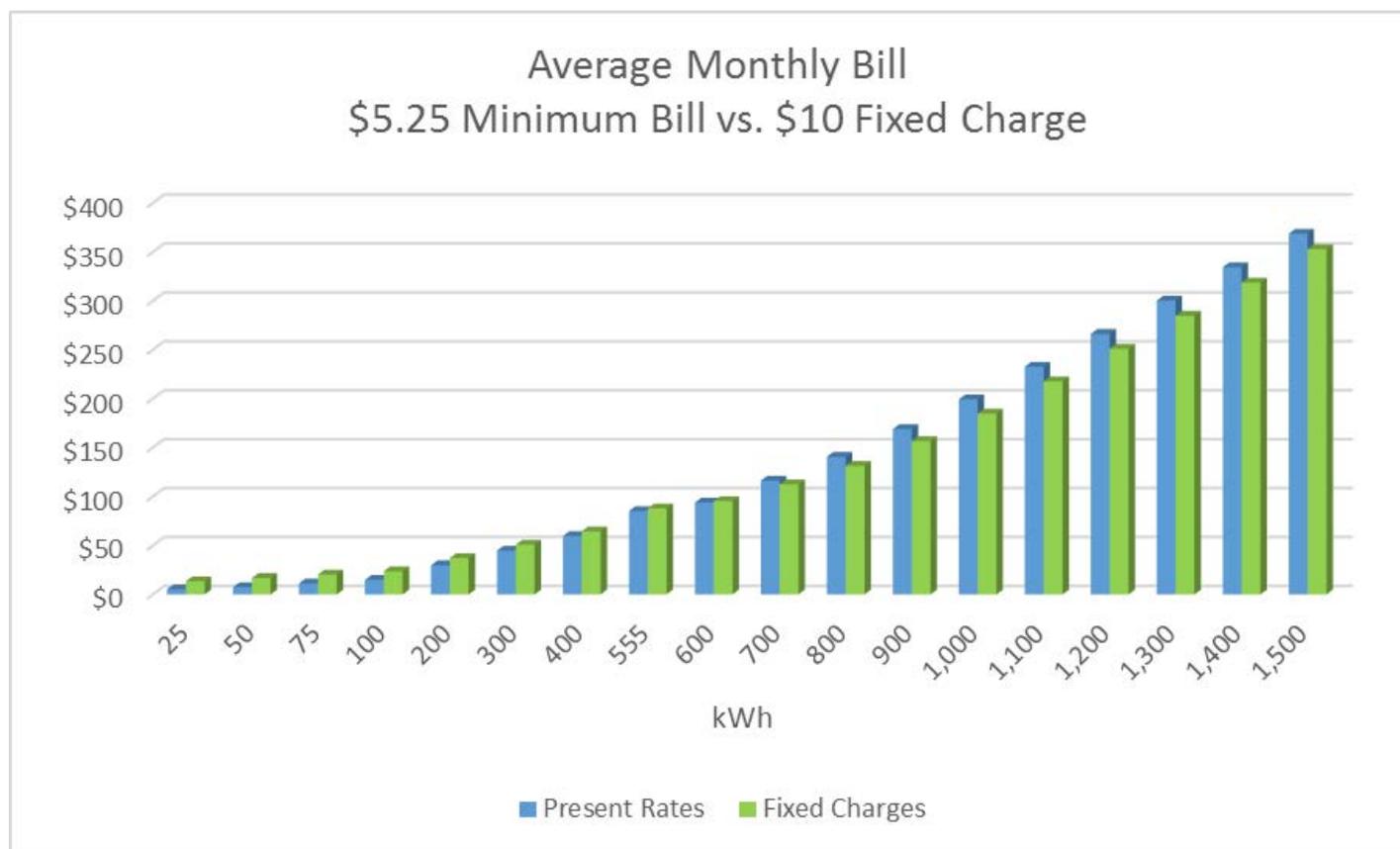
# Fixed Charge – Other Agencies



Note: Lodi has a minimum bill of \$5.25

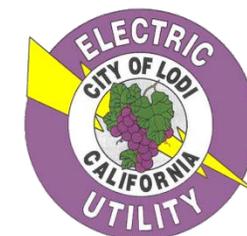


# Fixed Charge Impact



|               | Current | Adjusted |
|---------------|---------|----------|
| <b>Tier 1</b> | 0.1491  | 0.1360   |
| <b>Tier 2</b> | 0.1523  | 0.1520   |
| <b>Tier 3</b> | 0.2347  | 0.1747   |
| <b>Tier 4</b> | 0.3339  | 0.3300   |
| <b>Tier 5</b> | 0.3465  | 0.3465   |

- Impacts all customers
- 50 kWh customer will see increase of \$9.35/month
- Average customer will see increase of \$2.85/month
- 1,500 kWh customer will see decrease of \$16/month



# Simplify Tiers

- ▶ Current rate schedule - 5 tiers
  - ▶ Inclining block
- ▶ Purpose of tiers
  - ▶ Alignment of costs and charges
  - ▶ Encourage energy efficiency
- ▶ Appropriate number of tiers?
  - ▶ 4 Tiers, 3 Tiers
  - ▶ 2 Tiers (IOU's)
  - ▶ 1 Tier = flat rates
- ▶ Significant changes to tiers all at once = large bill impacts
- ▶ Recommend transitioning over time

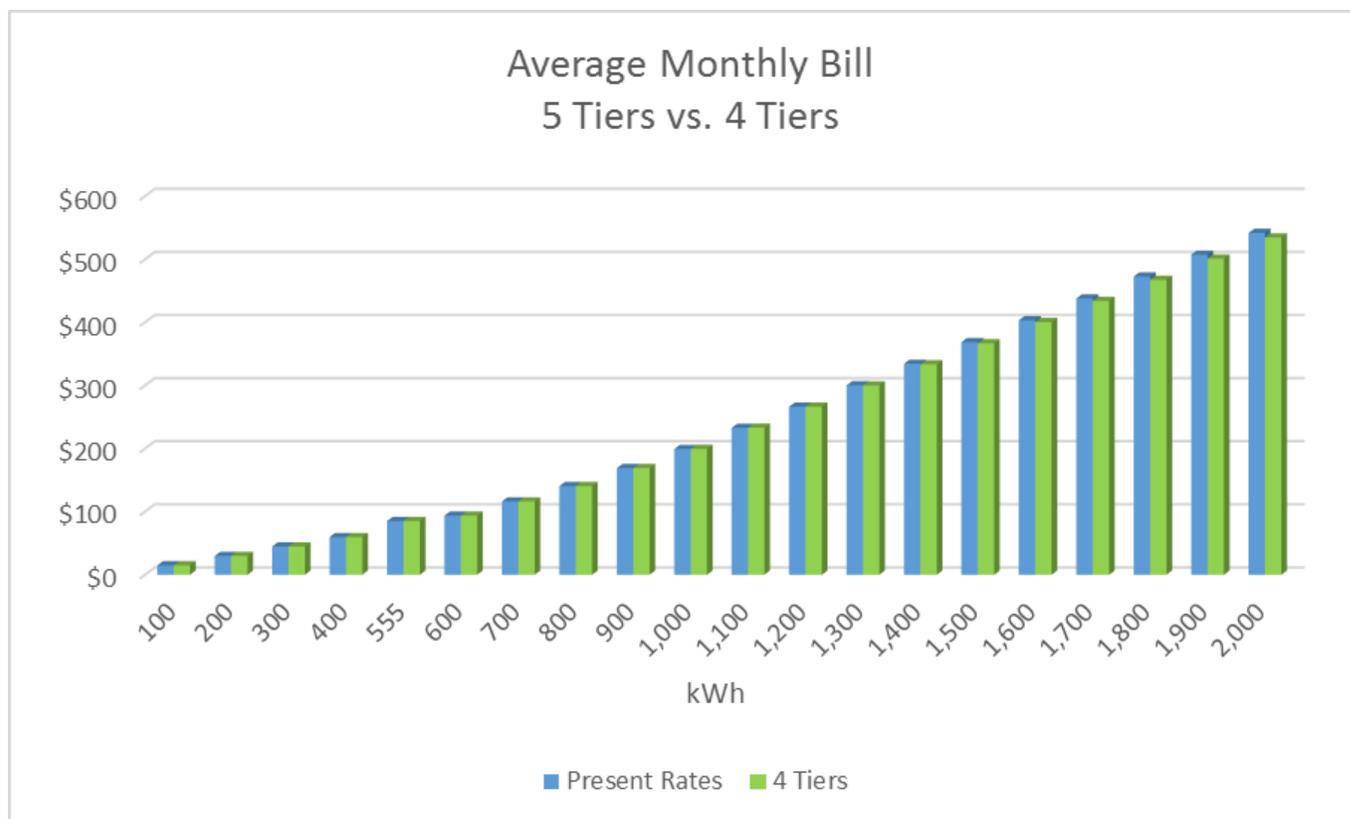


# Simplify Tiers – Other Agencies

| Utility     | 1 Tier (Flat) | 2 Tiers | 3 Tiers | 4 Tiers | 5 Tiers |
|-------------|---------------|---------|---------|---------|---------|
| Alameda     |               |         | √       |         |         |
| MID         |               | √       |         |         |         |
| <b>LODI</b> |               |         |         |         | √       |
| Palo Alto   |               |         | √       |         |         |
| PG&E*       |               |         |         | √*      |         |
| Redding     | √             |         |         |         |         |
| Roseville   |               |         | √       |         |         |
| SMUD        |               | √       |         |         |         |
| TID         |               |         | √**     |         |         |



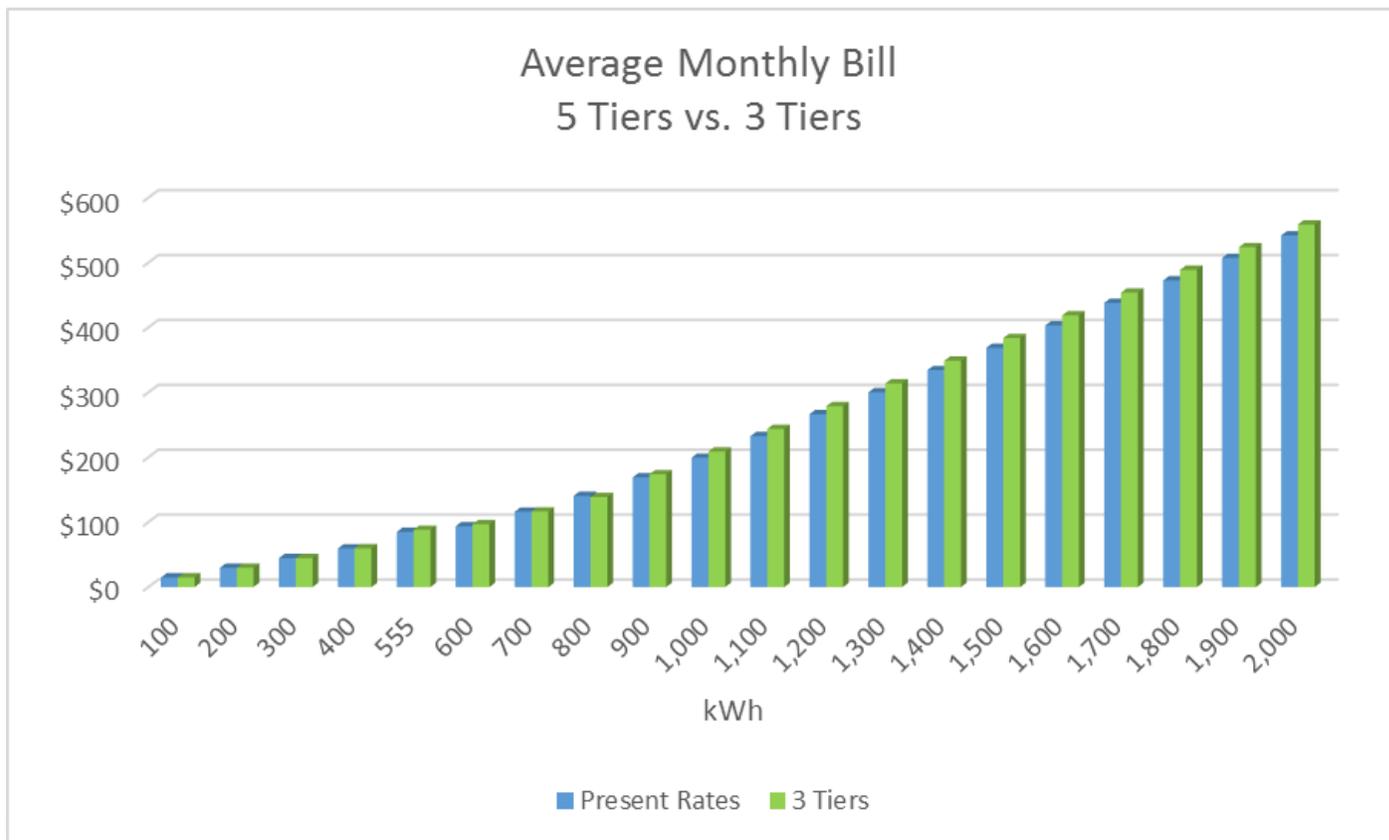
# Simplify Tier Impacts – 4 Tiers



|               | Current | Adjusted |
|---------------|---------|----------|
| <b>Tier 1</b> | 0.1491  | 0.1491   |
| <b>Tier 2</b> | 0.1523  | 0.1523   |
| <b>Tier 3</b> | 0.2347  | 0.2347   |
| <b>Tier 4</b> | 0.3339  | 0.3350   |
| <b>Tier 5</b> | 0.3465  | 0.3350   |

- No impact until over 800 kWh
- 800 kWh -1,200 kWh customer will see increases of less than \$1/month; thereafter decreases
- 2,000 kWh customer will see decrease of \$7.50/month

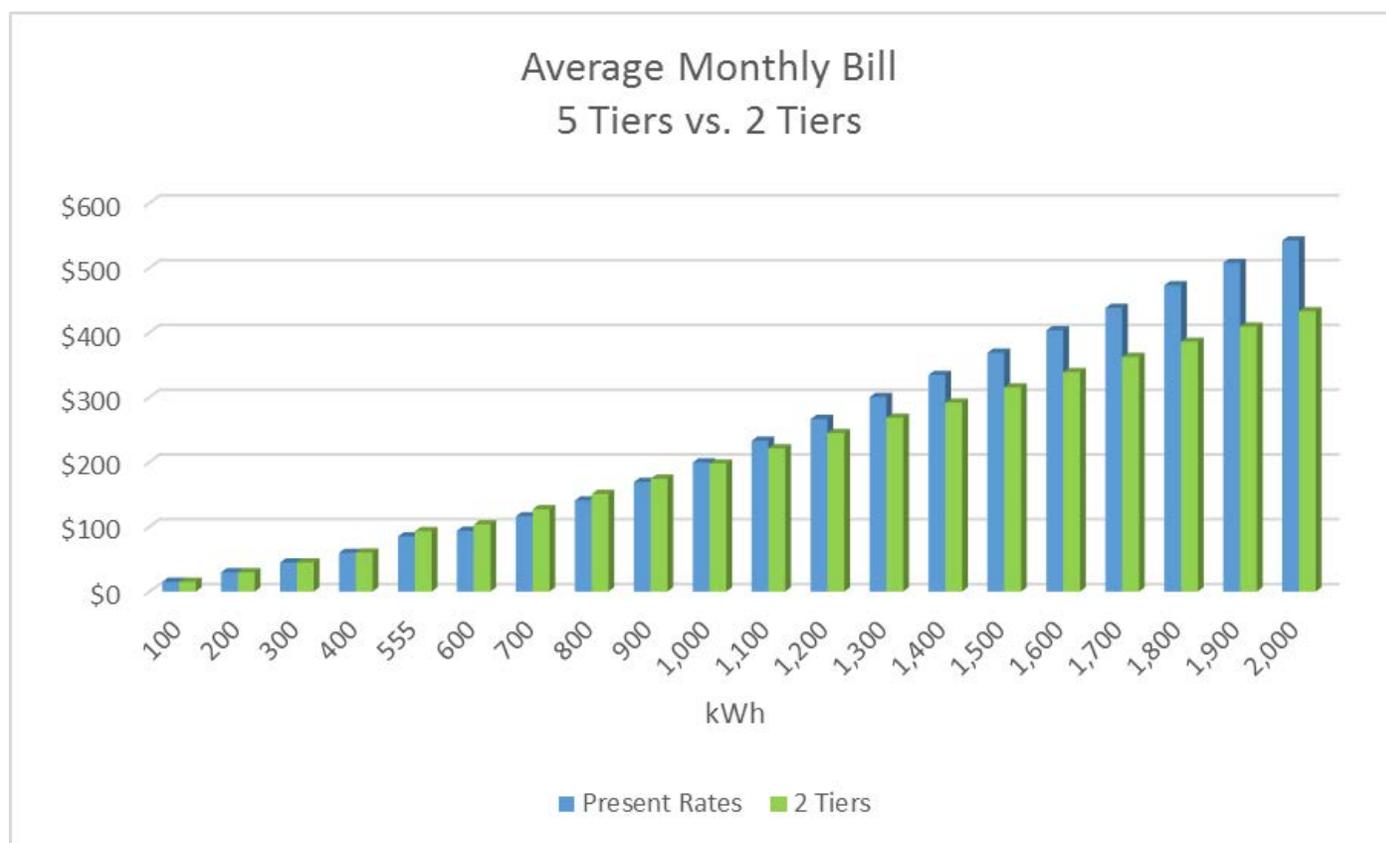
# Simplify Tier Impacts – 3 Tiers



|               | Current | Adjusted |
|---------------|---------|----------|
| <b>Tier 1</b> | 0.1491  | 0.1491   |
| <b>Tier 2</b> | 0.1523  | 0.1950   |
| <b>Tier 3</b> | 0.2347  | 0.1950   |
| <b>Tier 4</b> | 0.3339  | 0.3500   |
| <b>Tier 5</b> | 0.3465  | 0.3500   |

- No impact until over 400 kWh
- Average customer will see increase of \$3.15/month
- 2,000 kWh customer will see increase of \$16.85/month

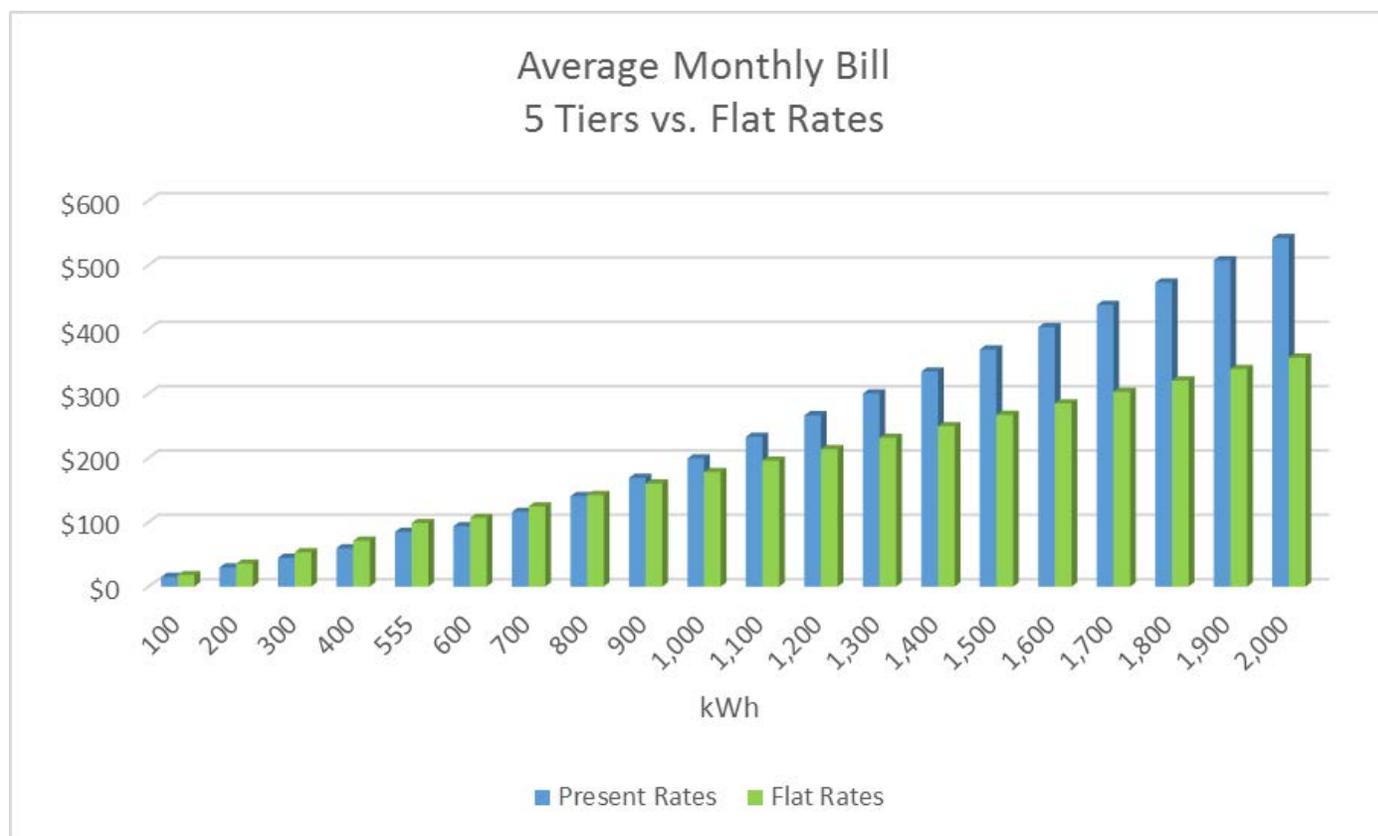
# Simplify Tier Impacts – 2 Tiers



|               | Current | Adjusted |
|---------------|---------|----------|
| <b>Tier 1</b> | 0.1491  | 0.1491   |
| <b>Tier 2</b> | 0.1523  | 0.2350   |
| <b>Tier 3</b> | 0.2347  | 0.2350   |
| <b>Tier 4</b> | 0.3339  | 0.2350   |
| <b>Tier 5</b> | 0.3465  | 0.2350   |

- No impact until over 400 kWh
- Average customer will see increase of \$7.91/month
- 2,000 kWh customer will see decrease of \$109/month

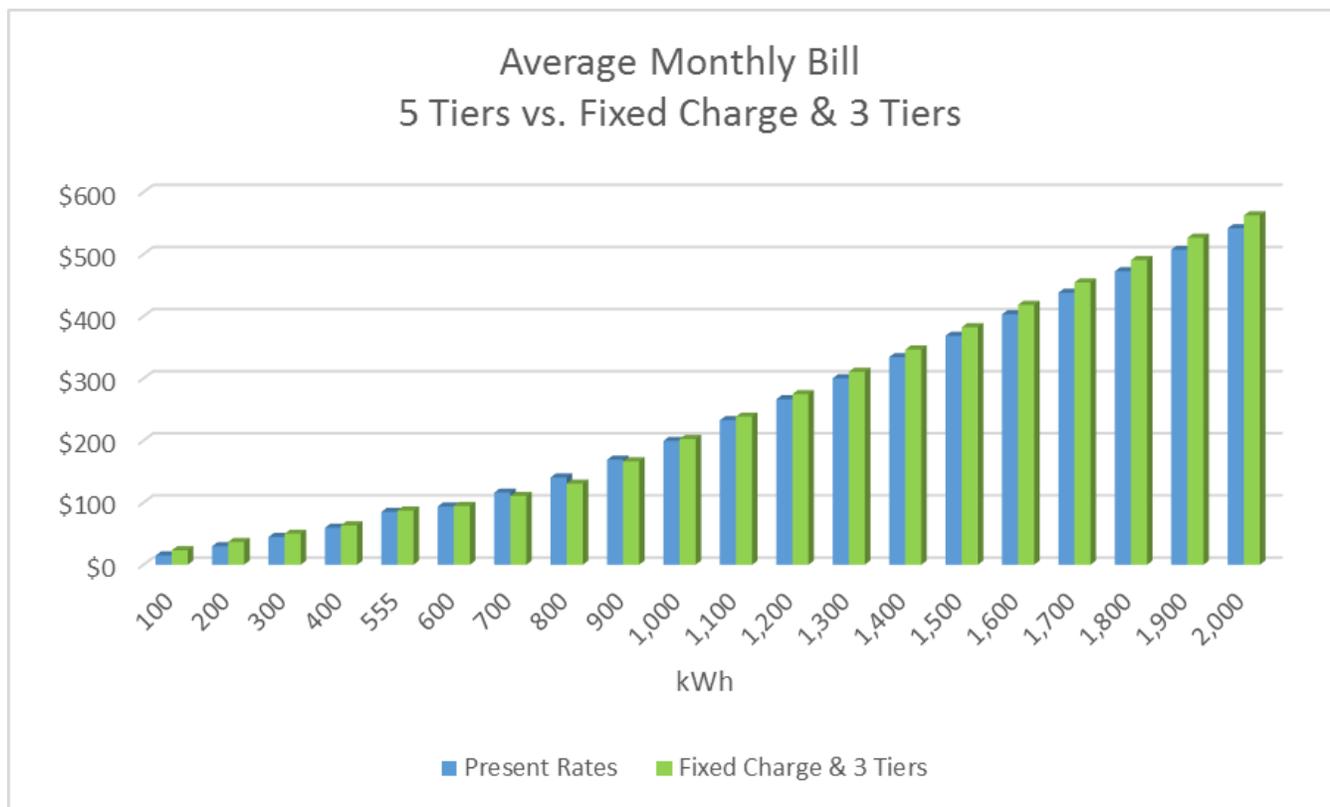
# Simplify Tier Impacts – Flat Rates



|               | Current | Adjusted |
|---------------|---------|----------|
| <b>Tier 1</b> | 0.1491  | 0.1780   |
| <b>Tier 2</b> | 0.1523  | 0.1780   |
| <b>Tier 3</b> | 0.2347  | 0.1780   |
| <b>Tier 4</b> | 0.3339  | 0.1780   |
| <b>Tier 5</b> | 0.3465  | 0.1780   |

- Impact for all customers
- Average customer will see increase of \$13.73/month
- 2,000 kWh customer will see decrease of \$185/month

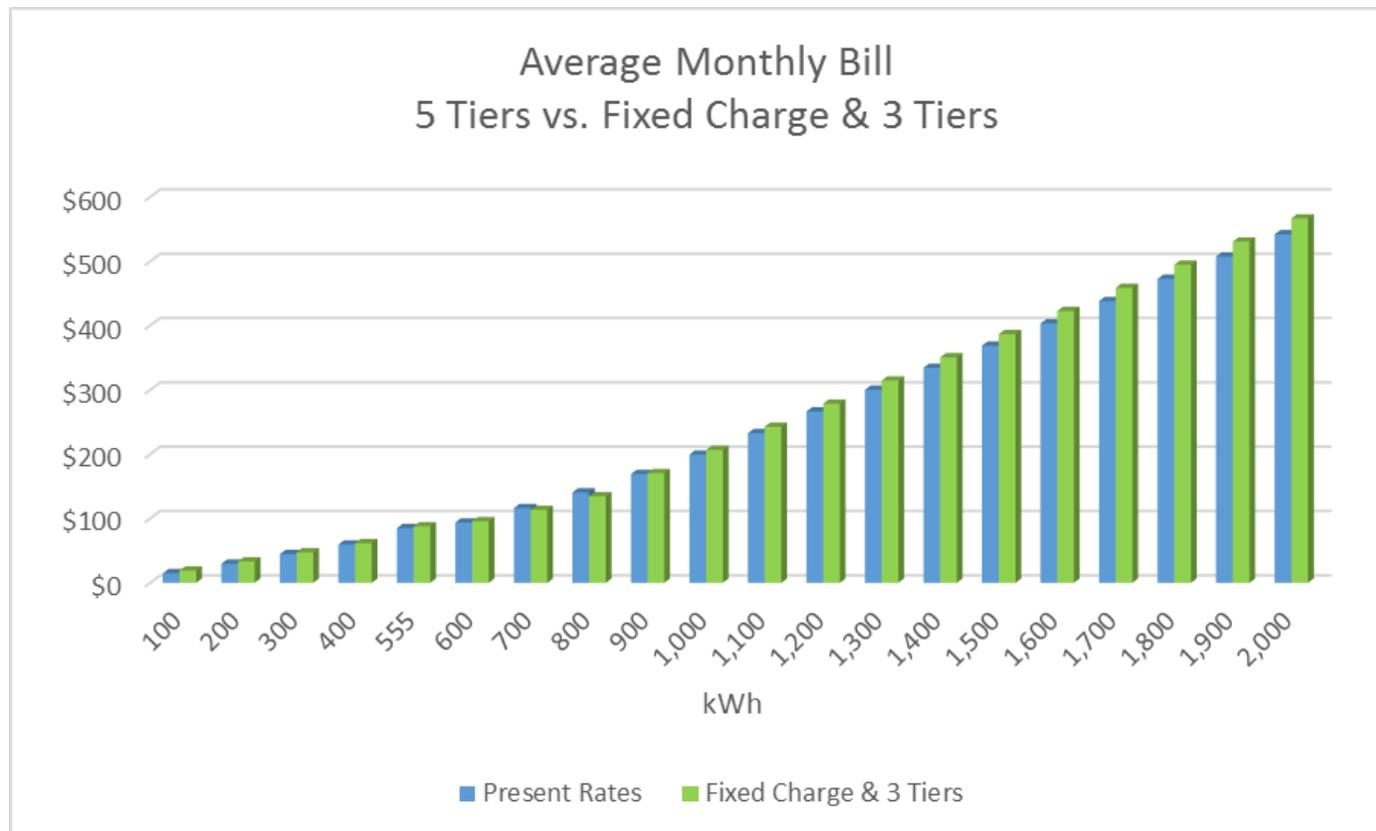
# Combination Impact - \$10 Fixed Charge



|               | Fixed Charge: \$10 |          |
|---------------|--------------------|----------|
|               | Current            | Adjusted |
| <b>Tier 1</b> | 0.1491             | 0.1330   |
| <b>Tier 2</b> | 0.1523             | 0.1620   |
| <b>Tier 3</b> | 0.2347             | 0.1620   |
| <b>Tier 4</b> | 0.3339             | 0.3600   |
| <b>Tier 5</b> | 0.3465             | 0.3600   |

- Impacts all customers
- 50 kWh customer will see increase of \$9.20/month
- Average customer will see increase of \$2.20/month
- 2,000 kWh customer will see increase of \$20.59/month
- 700 kWh - 900 kWh customer will see slight decreases

# Combination Impact - \$5 Fixed Charge



|               | Fixed Charge: \$5 |          |
|---------------|-------------------|----------|
|               | Current           | Adjusted |
| <b>Tier 1</b> | 0.1491            | 0.1410   |
| <b>Tier 2</b> | 0.1523            | 0.1780   |
| <b>Tier 3</b> | 0.2347            | 0.1780   |
| <b>Tier 4</b> | 0.3339            | 0.3600   |
| <b>Tier 5</b> | 0.3465            | 0.3600   |

- Impacts all customers
- 50 kWh customer will see increase of \$4.60/month
- Average customer will see increase of \$2.60/month
- 2,000 kWh customer will see increase of \$24.61/month
- 700 kWh – 800 kWh customer will see slight decreases

# Summary & Conclusions

- ▶ Cost causation should be the foundation for rate design
- ▶ Industry standard changing
  - ▶ Fixed charge + fewer tiers
- ▶ HOWEVER - rate design is both an art and a science
  - ▶ Many factors to consider
  - ▶ Social issues can be addressed through discounts
- ▶ All options provide the same revenue to LEU
- ▶ Must determine goals/objectives
  - ▶ Move rate design slowly toward goal
  - ▶ Mitigate rate shock
- ▶ Doing nothing WILL result in revenue instability
  - ▶ Utility business model IS changing

# Next Steps

# QUESTIONS?

