DOCKETED

Docket Number:	22-BSTD-04
Project Title:	2022 Energy Code Photovoltaic and Battery Storage Cost Effectiveness Determinations
TN #:	251075
Document Title:	Reduced Volumetric Charges Escalation Rate for Lodi
Description:	N/A
Filer:	Muhammad Faisal Saeed
Organization:	California Energy Commission
Submitter Role:	Commission Staff
Submission Date:	7/18/2023 9:47:22 AM
Docketed Date:	7/18/2023

CITY OF Lodi CALIFORNIA
ELECTRIC UTILITY

July 17, 2023

Muhammad Faisal Saeed, PE, CEM, LEED AP (BD+C), GBE
Senior Electrical Engineer, Building Standards Branch, Efficiency Division
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512
Muhammad.Saeed@Energy.ca.gov

RE: DOCKET 22-BSTD-04 – C NOTE LIMITED PARTNERSHIP REQUEST FOR EXEMPTION DETERMINATION

On June 7, 2023, C Note Limited Partnership submitted to the California Energy Commission (CEC) an application for a determination regarding the applicability of the photovoltaic (PV) system requirements included in the 2019 Building Energy Efficiency Standards (Energy Code) for the Benjamin Project located at 2525 Century Blvd in Lodi, California. It is the City of Lodi Electric Utility's (LEU) understanding that CEC staff will evaluate the application consistent with the California Code of Regulations (CCR), Title 24, Part 1, Chapter 10, section 10-109(k), which is applicable in cases where "the implementation of public agency rules regarding utility system costs and revenue requirements, compensation for customer-owned generation, interconnection fees, or other factors, causes the Commission's cost-effectiveness conclusions, made pursuant to Public Resources Code section 25402(b)(3), to not hold for particular buildings."

As such, CEC staff has requested additional information from LEU as it pertains to LEU electric rates as compared to assumptions used by the CEC in its cost-effectiveness determination applicable to low-rise multi-family (MF) residential buildings. According to CEC staff, all cost-effectiveness analyses completed for 2019 low-rise residential energy code requirements used a growth rate of 2.7 percent per year for forecasting residential rates. CEC staff obtained the energy escalation input of 2.7 percent from the 2019 TDV Methodology Report which references the 2015 Integrated Energy Policy Report (IEPR) which calculates average residential rates for Pacific Gas & Electric (PG&E), Southern California Edison (SCE), San Diego Gas & Electric (SDG&E), Los Angeles Department of Water and Power (LADWP), and Sacramento Municipal Utility District (SMUD) through 2026.

Electric rates are ideally based on cost causation. Costs may vary significantly when comparing utilities both big and small, private and public. A utility's costs, and therefore rates collected to support said costs, vary based on a number of factors including but not limited to service territory size and terrain, differences amongst customer classes, capital maintenance needs, financing costs, regulatory requirements, power resource mix and environmental policy. A clear example and point of comparison can easily be made as it relates to costs of a for-profit utility such as PG&E compared to those of a not-for-profit, publicly owned small, urban utility such as Lodi. According to a July 10, 2023 post by the Energy Institute at Haas, PG&E rates have increased more than 35 percent over the past two years. One of the most significant drivers of these rate increases has been wildfire risk mitigation. As compared to a utility like Lodi with no part of its electric service territory located in a High Fire Threat District (HFTD), PG&E has significantly more miles of transmission and distribution lines running through HFTD areas – exposure which translates to higher costs and rate escalation.

Specific to Lodi, residential customers, including MF, are charged based on published rates adopted by the City Council via ordinance Lodi Municipal Code, Section 13.20, Article III including a fixed monthly customer charge as well as tiered energy rates to encourage conservation. In addition, all customers are charged a monthly Energy Cost Adjustment (ECA) which varies and is calculated and billed each month (either as a charge or a credit) based on changes in monthly energy costs and power consumption. The ECA recovers costs associated with power supply which comprise more than 50 percent of the annual LEU budget. As such, LEU does not have a need to implement frequent electric base rate increases and when rate increases are implemented, they are less than the rate of inflation. For LEU specifically, the last rate increase affecting energy rates (and thus the cost-effectiveness test associated with MF solar) was approved in 2017 per Ordinance 1941 at 2 percent. Prior to this, City Council approved a 5 percent rate increase effective January 1, 2015. Most recently, City Council approved a 2-year increase effective August 1, 2023 and July 1, 2024. However, **this most recent increase was applicable only to the fixed monthly customer charge across all customer classes**, including solar and non-solar customers. Information presented to the City Council as part of this action on May 17, 2023 indicates LEU will **not need any additional base rate increases until after 2030**. Therefore, when looking at increases to energy rates alone, a 5 percent increase in 2015 and a 2 percent increase in 2017 with no additional base rate energy increases proposed until post-2030 result in a much lower annual rate of escalation over a 15-year period than the 2.7 percent per year assumption used by the CEC in its cost-effectiveness modeling. Including the most recently approved increases for 2023 and 2024 would still result in an annual average rate escalation far less than the CEC's assumed 2.7 percent per year. In addition, when evaluating the annual rate of escalation of residential rates, including all charges (fixed monthly customer charge, energy charge, ECA), the chart below provides a brief summary as reported in the most recently available data to the US Energy Information Administration for EIA-861 filings of the change in LEU's residential rate ($/kWh) from 2015 to 2021:

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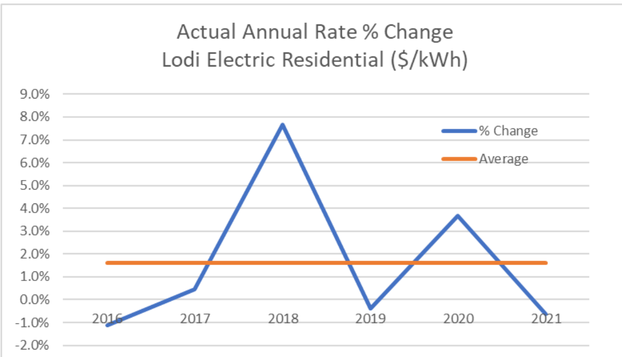

As you can see, again, the historical average annual rate of escalation when evaluated over a similar time period as that used as part of the CEC's cost-effectiveness evaluation is lower than that used by the CEC in its modeling assumptions – approximately 1.6 percent.

In summary, LEU is committed to ensuring renewable energy and greenhouse reduction goals are accomplished in a cost-effective manner as evaluated specific to costs and charges applicable to LEU's service territory and its customers. LEU is currently well positioned to meet current and future State mandated Renewables Portfolio Standard (RPS) goals with existing resources, historic carryover, excess surplus and proposed projects under review/negotiation with over 45 percent of its power resources carbon-free. In addition, LEU is currently working to upgrade its existing transmission intertie – scheduled for completion in 2028. This project will eliminate millions of dollars annually associated with low-voltage transmission fees, thereby reducing costs for the utility while maintaining competitive rates.

Should you have any questions regarding this information, please contact Melissa Price, Rates & Resources Manager, at (209) 333-6811.

Sincerely,

Jeff Berkheimer (Jul 17, 2023 16:25 PDT)

JEFF BERKHEIMER
ELECTRIC UTILITY DIRECTOR

7.17.23 Lodi Electric Utility Letter to CEC Docket 22-BSTD-04

Final Audit Report 2023-07-17

Created:	2023-07-17
By:	Michelle Niemantsverdriet (mniemantsverdriet@lodi.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAAil_XMySKKY3xl9g280ZTQEPQI0OGEdij

"7.17.23 Lodi Electric Utility Letter to CEC Docket 22-BSTD-04" History

Document created by Michelle Niemantsverdriet (mniemantsverdriet@lodi.gov)
2023-07-17 - 11:07:47 PM GMT- IP address: 209.23.214.254

Document emailed to jberkheimer@lodi.gov for signature
2023-07-17 - 11:08:28 PM GMT

Email viewed by jberkheimer@lodi.gov
2023-07-17 - 11:24:28 PM GMT- IP address: 108.147.32.3

Signer jberkheimer@lodi.gov entered name at signing as Jeff Berkheimer
2023-07-17 - 11:25:29 PM GMT- IP address: 108.147.32.3

Document e-signed by Jeff Berkheimer (jberkheimer@lodi.gov)
Signature Date: 2023-07-17 - 11:25:31 PM GMT - Time Source: server- IP address: 108.147.32.3

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