



PRESENTED BY GDS ASSOCIATES, INC.



City of Colton
ELECTRIC UTILITY

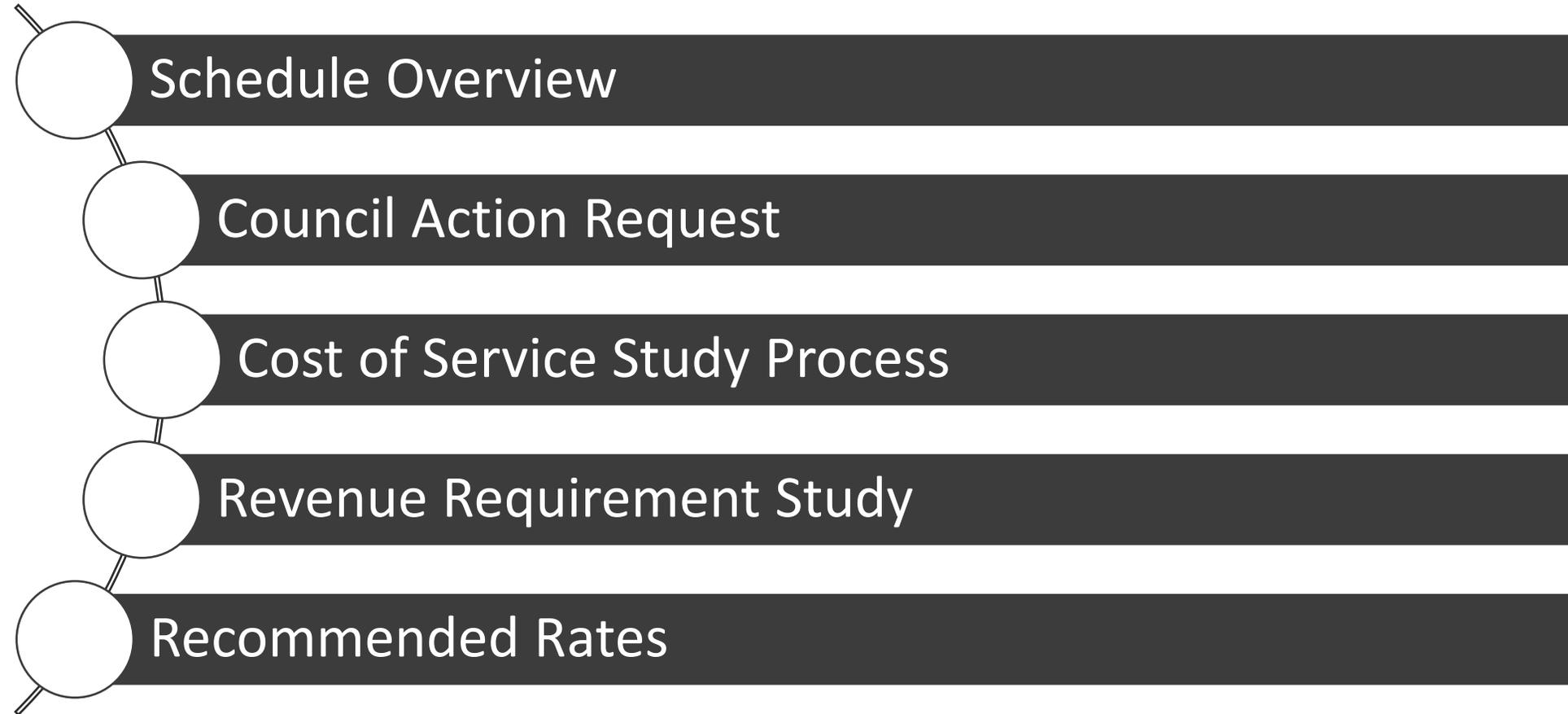
COLTON ELECTRIC UTILITY

Cost of Service and Rate Study

Amber Gschwend, Director
GDS Associates, Inc.

February 24, 2025

WORKSHOP OBJECTIVES



— SCHEDULE

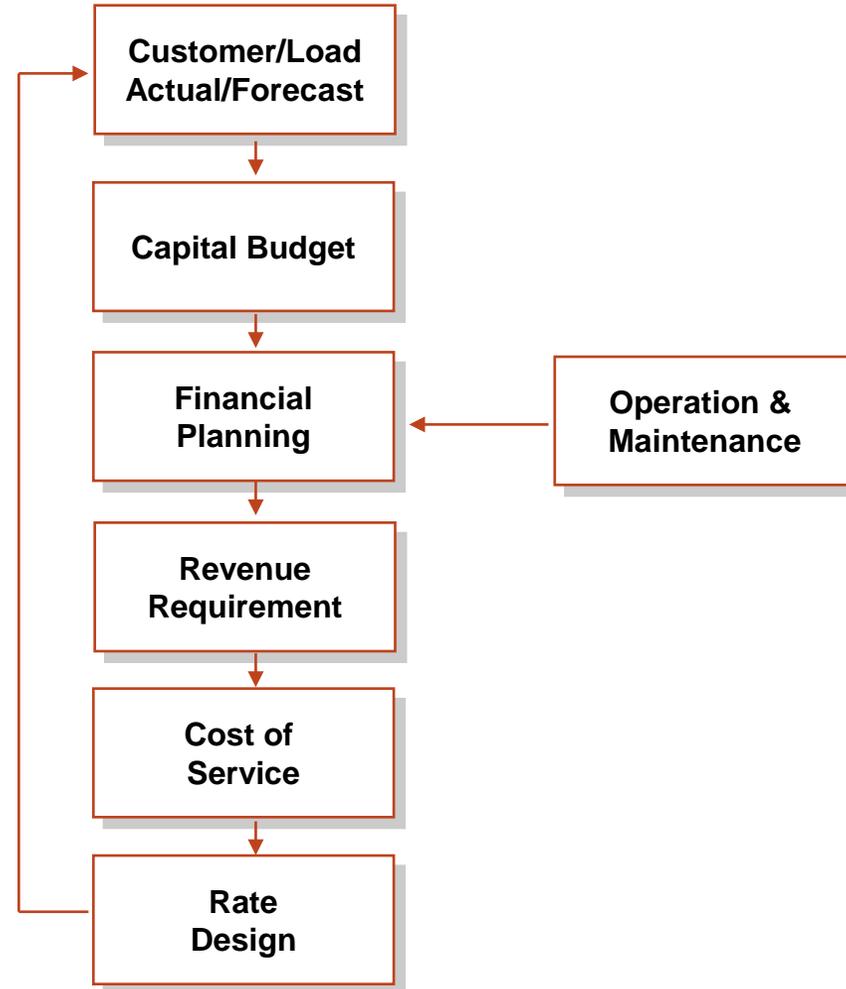
- **FY2026 Electric Rate Workshop February 24**
 - *Introduce study*
 - *Results and recommendations*
 - *Receive Council feedback*
- **Utilities Commission – April 14**
- **Rate Hearing #1 – April 15**
- **Rate Hearing #2 – May 6**
- **Rate Implementation – October 2025**

— THE ACTION REQUEST

- **Council Provide Feedback on Electric Rate Levels**
- **Confirm and Provide Feedback for Rate Design Objectives and Modifications**

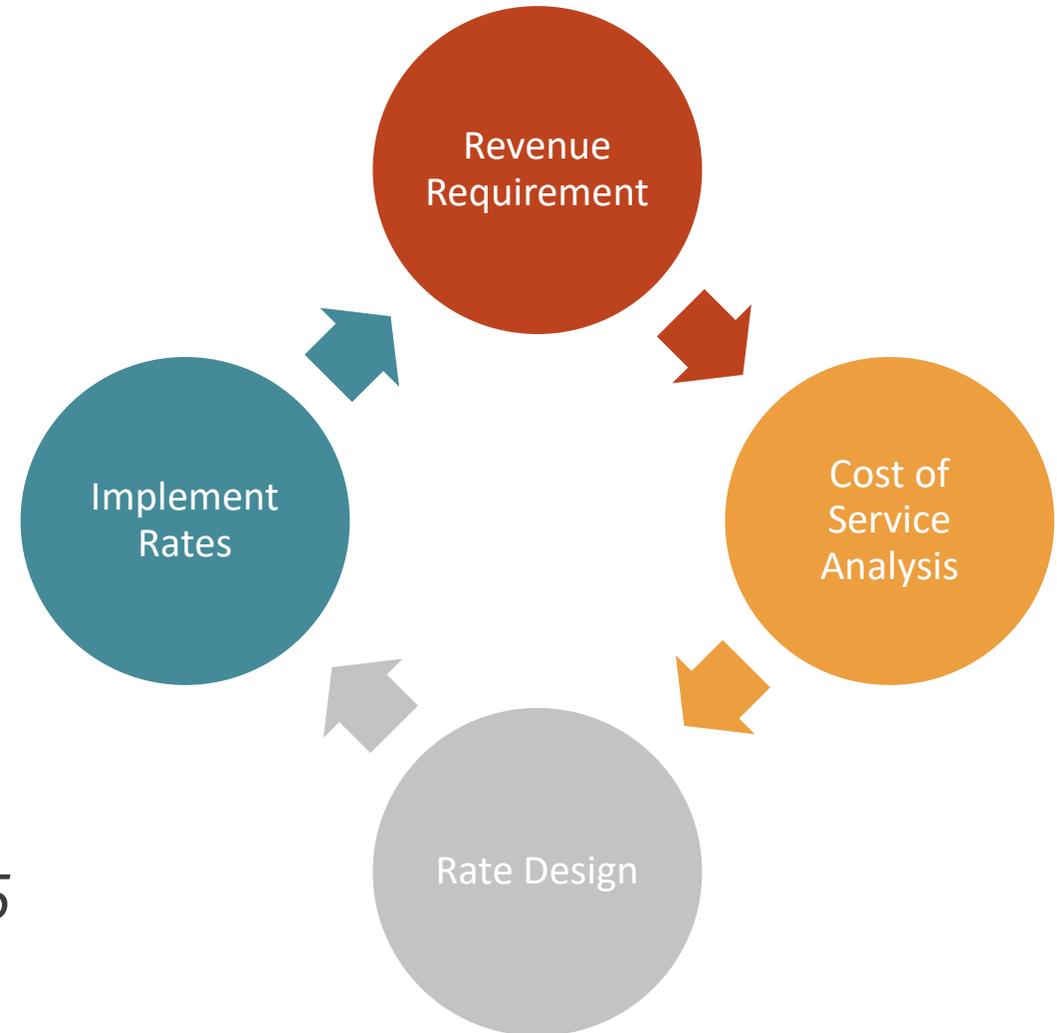
COST OF SERVICE

— OVERVIEW OF UTILITY PLANNING PROCESS

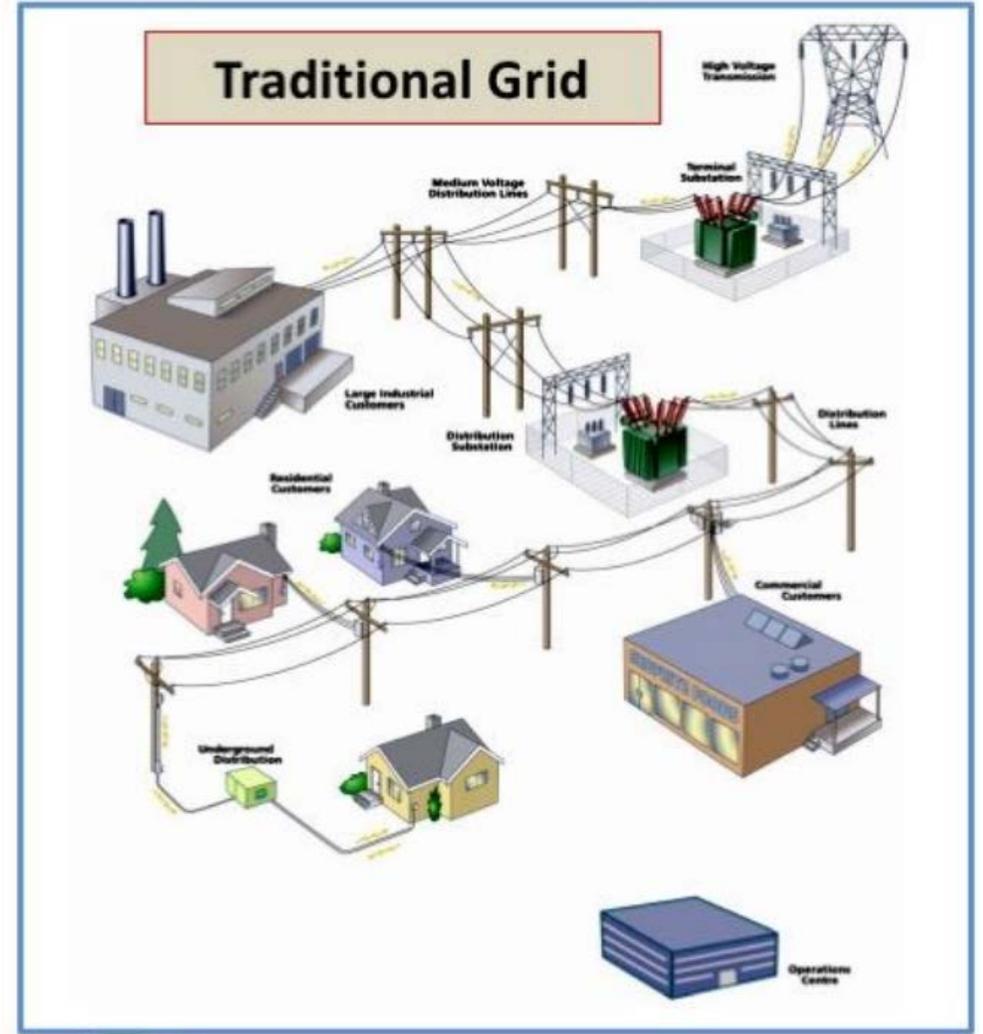
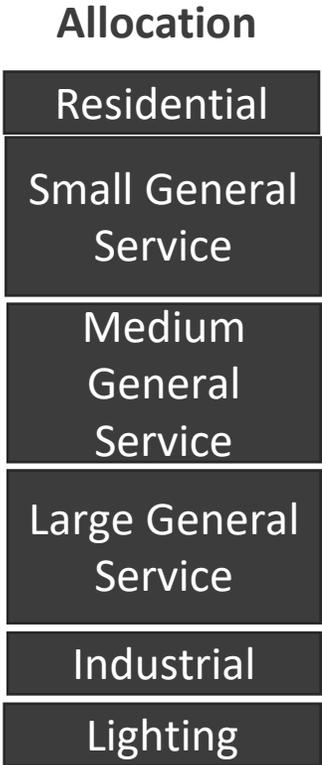
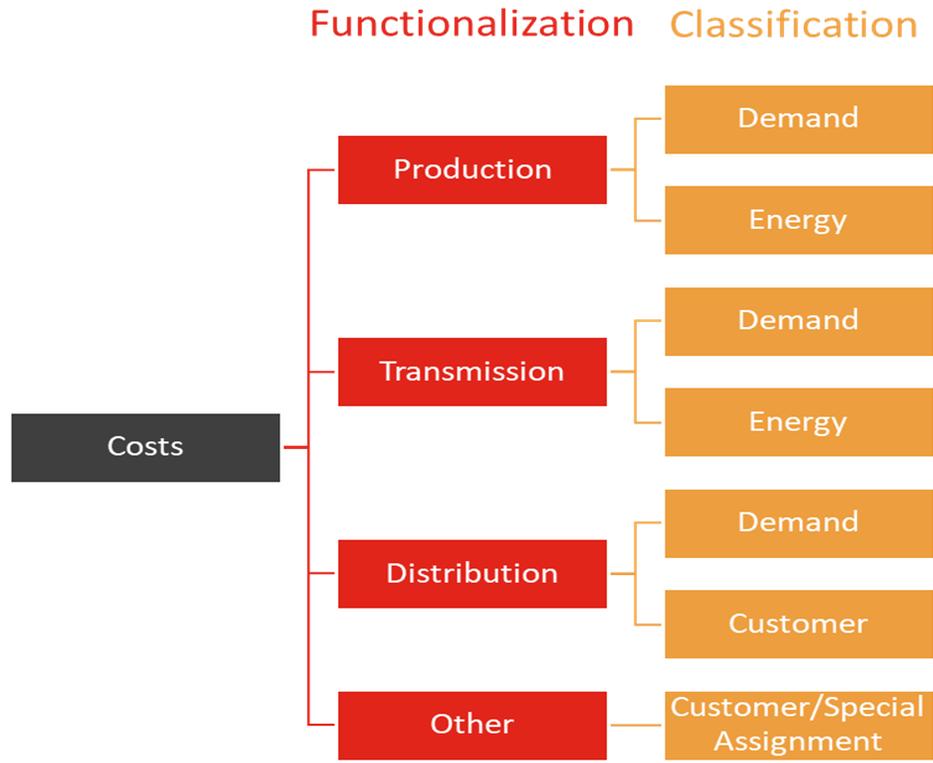


COST OF SERVICE/RATE DESIGN STEPS

- **Management Goals and Objectives**
 - *Financial stability*
 - *Plan future capital replacements*
 - *Increase customer value*
 - *Harden assets against extreme weather events*
- **Study Time Period**
 - *Fiscal Year 2024-2029*
 - *Rate Hearings April and May*
 - *Rate Implementation October 2025*



COSA PROCESS

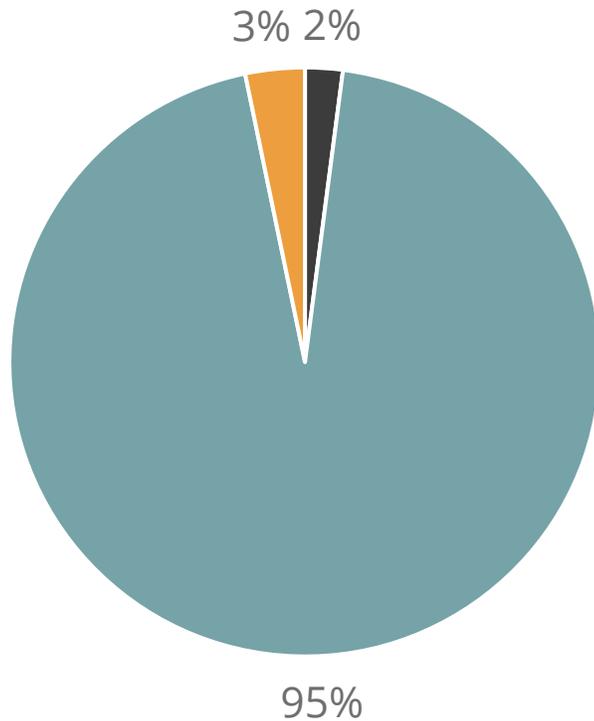


— WHY CONDUCT A COST OF SERVICE STUDY?

- **Revenue is Aligned with Costs**
- **Provide Reliable Service with Adequate Revenues**
- **Proposition 26 Compliance**
- **Fair and Equitable Rates**
- **Avoid Interclass Subsidies**
- **Accurate Price Signals**

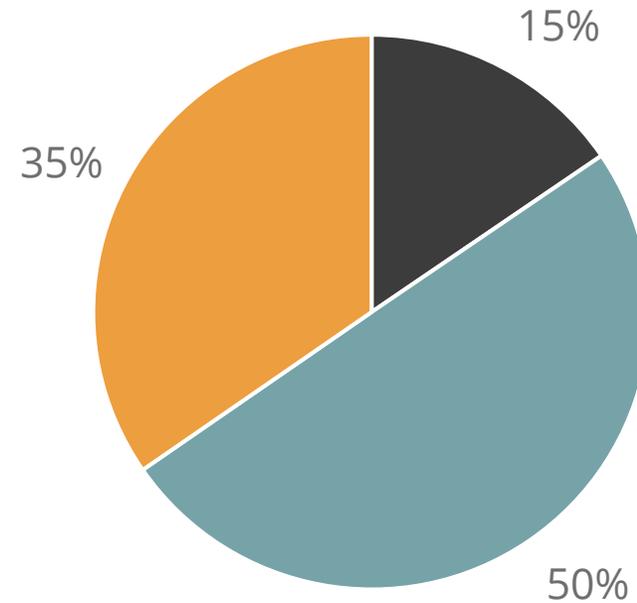
GOAL IS TO ALIGN RATE DESIGN WITH EXPENSES

Retail Revenues



■ Customer-Related ■ Energy-Related
■ Demand-Related

Expenses



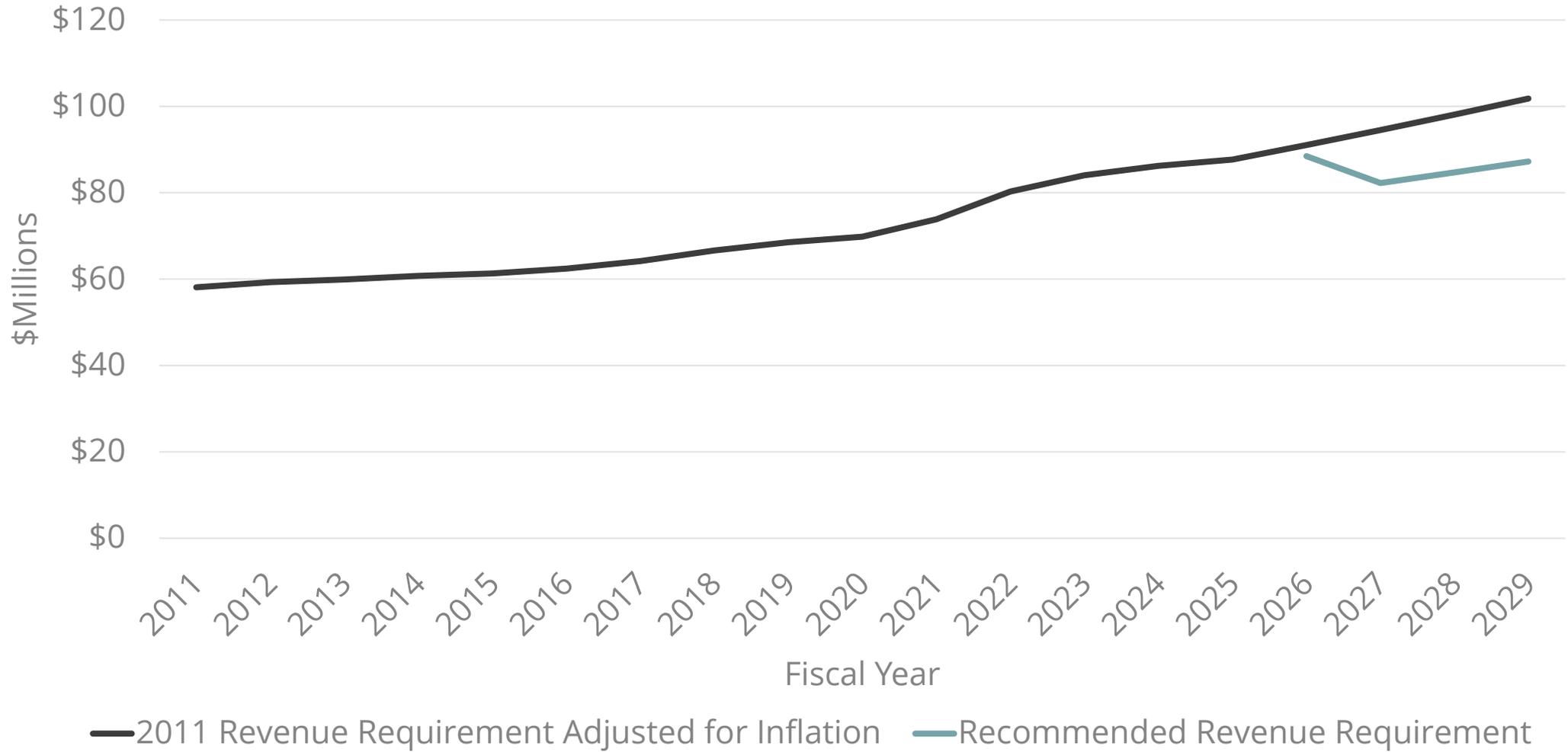
■ Customer-Related ■ Energy-Related
■ Demand-Related

REVENUE REQUIREMENT STUDY

— CITY-SPECIFIC CONSIDERATIONS

- **Last Base Rate Increase Occurred in 2009**
- **Base Rates were Decreased in 2011 and 2013**
- **Measure D Implemented a Rate Freeze from 6/2016 – 6/2021**
- **In April 2023, Implemented an 8.5 cent/kWh Power Cost Adjustment (PCA)**
 - *Approximately a 37% rate increase*
 - *Power costs increased by \$17 M in just one year*
 - *\$24 M deficit accrued prior to PCA*
- **Capital Investment Needed**
 - *Reliability, safety, hardening, resiliency*
 - **Aging infrastructure**
 - **Wildfire hardening**
 - *New infrastructure and equipment costs*
 - **Advanced Clean Fleet Requirements – Electric requirements (\$6-\$10M in mandated expenditures to convert CEU fleet)**
 - **System Expansion**
 - **Transportation Fuel Switching (unfunded state mandate)**
 - **Electrification (unfunded state mandate)**

RECOMMENDED REVENUE REQUIREMENT

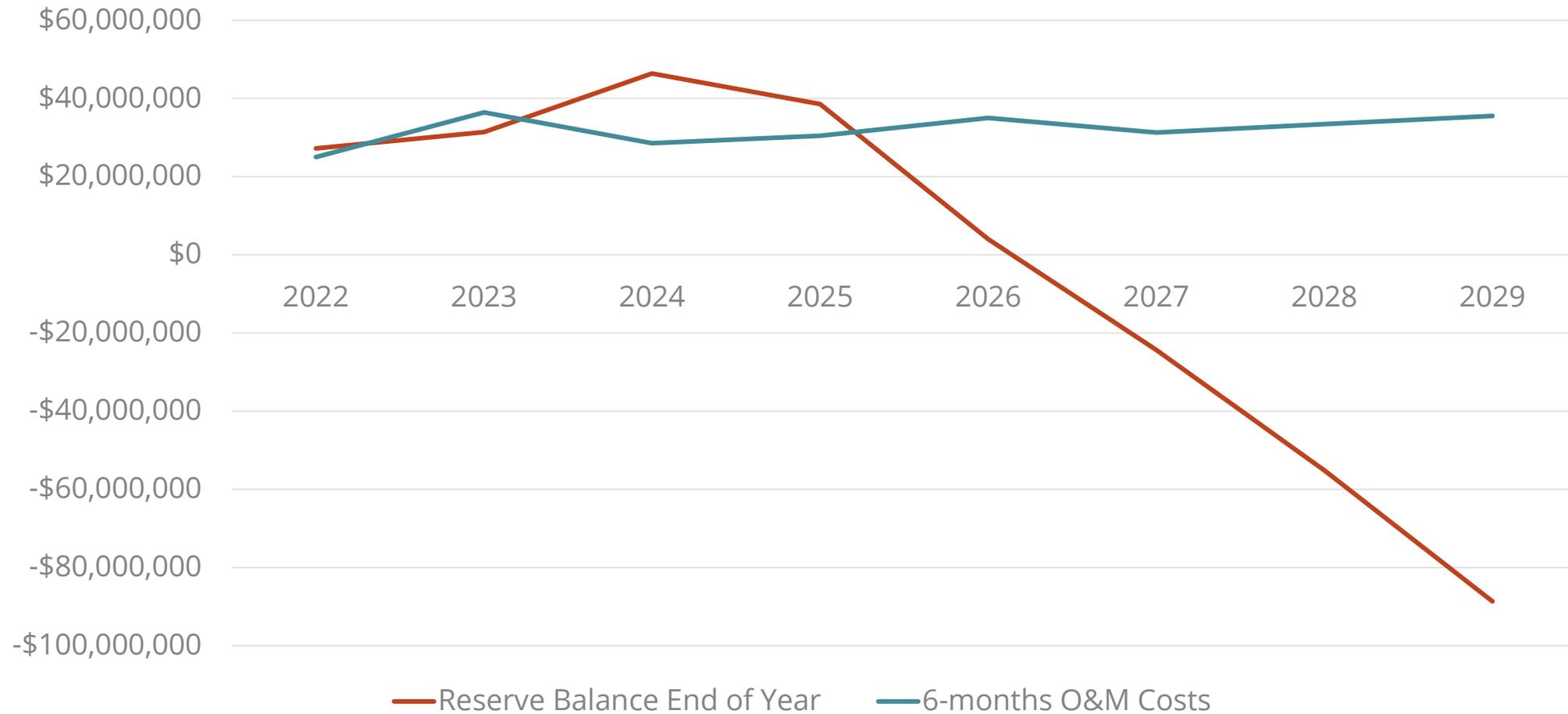


— ELECTRIC REVENUE REQUIREMENT

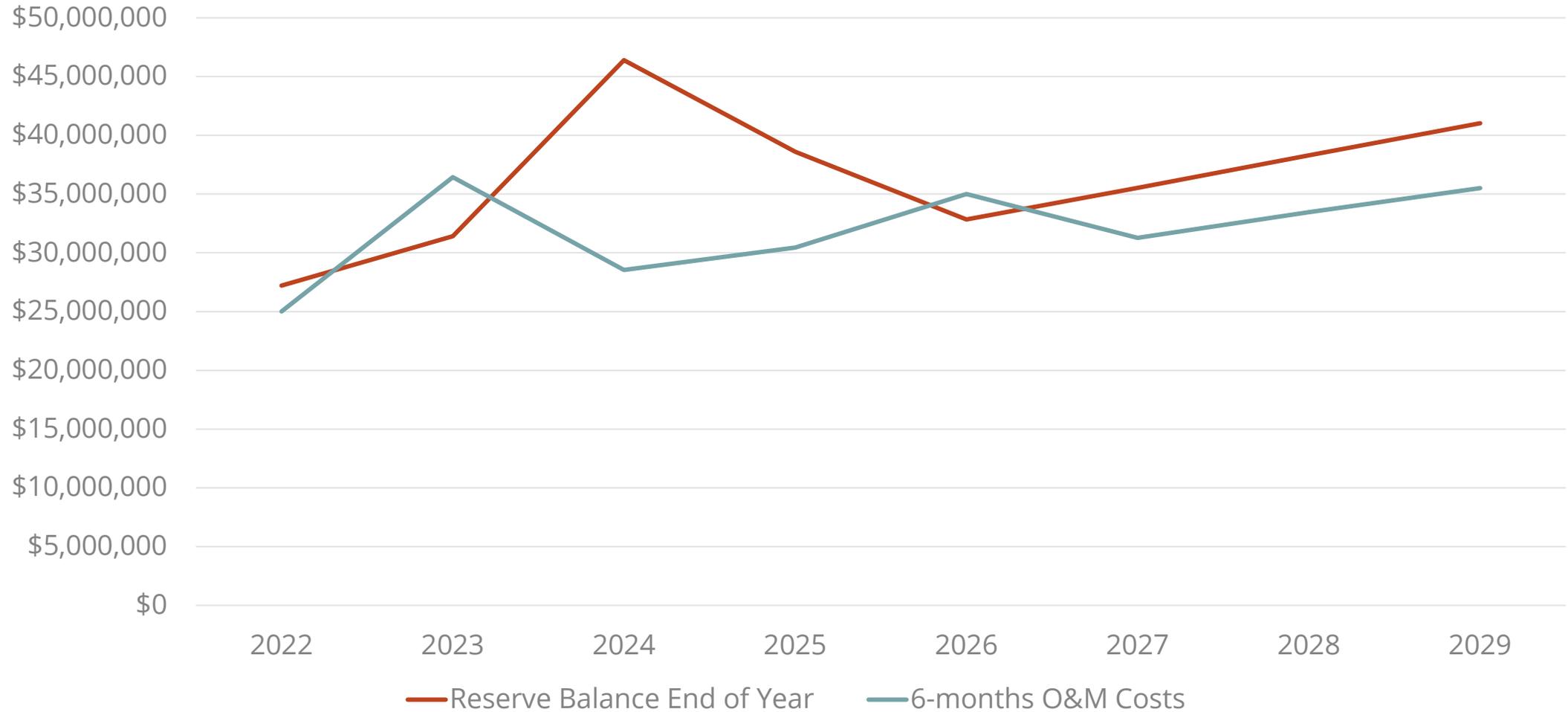
□ **Study Inputs**

- *Revenue based on forecast loads and current retail rates*
- *Loads and customers accounts*
- *Expenses as budgeted for FY25*
- *Power Cost Forecast*
- *Capital improvements funded from rates*
- *Starting FY25 expenses escalated at 3.8% annually above FY25 budget*
- *Use Electric Reserve Fund to balance year-to-year variations*
- *Maintain reserve balance target*

OPERATING RESERVES: STATUS QUO



OPERATING RESERVES: RECOMMENDED PLAN



REVENUE REQUIREMENT, FISCAL YEAR

Fiscal Year	2025	2026	2027	2028	2029
Rate Revenue	\$53,896,088	\$53,723,752	\$84,008,011	\$85,696,740	\$87,419,416
PCA Revenue	\$27,826,486	\$8,094,473			
Incremental Revenue Rate Adjustment	\$0	\$21,469,767	\$1,191,466	\$1,215,417	\$619,924
Total Rate Revenue	\$81,722,574	\$83,287,991	\$85,199,477	\$86,912,157	\$88,039,340
O&M	\$60,888,987	\$70,028,143	\$62,552,917	\$66,931,000	\$71,008,703
Net Non-Operating Costs	\$28,627,245	\$18,440,750	\$19,684,330	\$17,803,416	\$16,389,754
Total	\$89,516,232	\$88,468,893	\$82,237,246	\$84,734,415	\$87,398,458
Net Income/Use of or Contribution to Reserves	(\$7,793,658)	(\$5,180,902)	\$2,962,231	\$2,177,741	\$640,883
Revenue Adjustment over Prior Year (October)	0.0%	3.0%	2.0%	2.0%	1.0%
Cash Reserve Balance Beginning of Year	\$46,395,034	\$38,601,376	\$32,828,430	\$35,533,669	\$38,298,762
Contributions	\$0	\$0	\$2,705,239	\$2,765,093	\$2,735,049
Withdrawals	(\$7,793,658)	(\$5,772,946)	\$0	\$0	\$0
Cash Reserve Balance End of Year	\$38,601,376	\$32,828,430	\$35,533,669	\$38,298,762	\$41,033,810

RATE SCHEDULES

	Size	Example	Number of Accounts
Residential	Any	Single Family, Multifamily	16,182
General Service	< 20 kW	Small Office, Small Retail, HOA, Bank	1,688
Medium General Service	20-200 kW	Restaurants, Davita Dialysis, CVS	376
Large General Service (TOU 1 LGS)	>200 kW	Big Box Stores (Wal-Mart, Food 4Less), School District	22
Industrial	>200 kW	Manufacturing, Water Wells	50
Municipal	Any	City Facilities	207
Lighting	N/A	Traffic and Streetlights, Parking Lighting	124

— COSA STUDY DRAFT RESULTS

- ❑ **Proposed Rate Structure Recovers Costs through Recommended Base Rates**
- ❑ **Update Public Benefits Charge**
- ❑ **Rebalance Rate Levels Across Classes**
- ❑ **Align Rates to Cost**
- ❑ **Move Contract Customers to Standard Rate Schedules**
- ❑ **Update Time of Use Rate Periods**
- ❑ **Simplify Residential Tiers**

RATE RECOMMENDATIONS

RESIDENTIAL

	Cost of Service Unit Costs	Current Rates	FY 2026 Recommended	FY 2027 Recommended	FY 2028 Recommended	FY 2029 Recommended
Facilities Charge, \$/month	\$9.79	\$3.00	\$12.00	\$15.00	\$17.00	\$20.00
Energy, \$/kWh	\$0.3000					
Tier 1: First 250 kWh		\$0.16500	\$0.20460	\$0.21278	\$0.21916	\$0.21916
Tier 2: 251-500 kWh		\$0.27805				
Tier 3: 501-1,500 kWh		\$0.31270	\$0.28143	\$0.29269	\$0.30147	\$0.30147
Tier 4 over 1,500 kWh		\$0.37705	\$0.37000	\$0.37000		
Public Benefits Charge \$/kWh		\$0.0029	\$0.00767	\$0.00712	\$0.00732	\$0.00754
Rate Adjustment			6.9%	5.3%	3.2%	2.1%

RESIDENTIAL BILL IMPACTS

kWh/Month	FY 2026	FY 2027	FY 2028	FY 2029
100	66%	12%	7%	8%
200	47%	9%	6%	5%
(Avg) 500	0%	6%	4%	2%
800	-4%	5%	4%	1%
1,000	-6%	5%	4%	1%
1,500	-7%	5%	3%	1%
2,500	-5%	2%	-7%	0%

- Low income families will receive additional support to mitigate bill impact (25%)
- Low Income Senior Program (> 65 years) 37% discount

Usage Example	Current Bill	FY 2026	\$ Change	FY 2027	\$ Change from FY2026
Example Solar Customer with 0 kWh	\$3.00	\$12.00	\$9.00	\$15.00	\$5.00
Low User (200 kWh/mo)	\$36.00	\$52.92	\$16.92	\$57.56	\$4.64
Average Monthly Summer Bill (685 kWh)	\$171.61	\$166.36	(\$5.25)	\$175.54	\$9.17
Average Monthly Winter Bill (425 kWh)	\$92.91	\$98.96	\$6.05	\$105.43	\$6.48

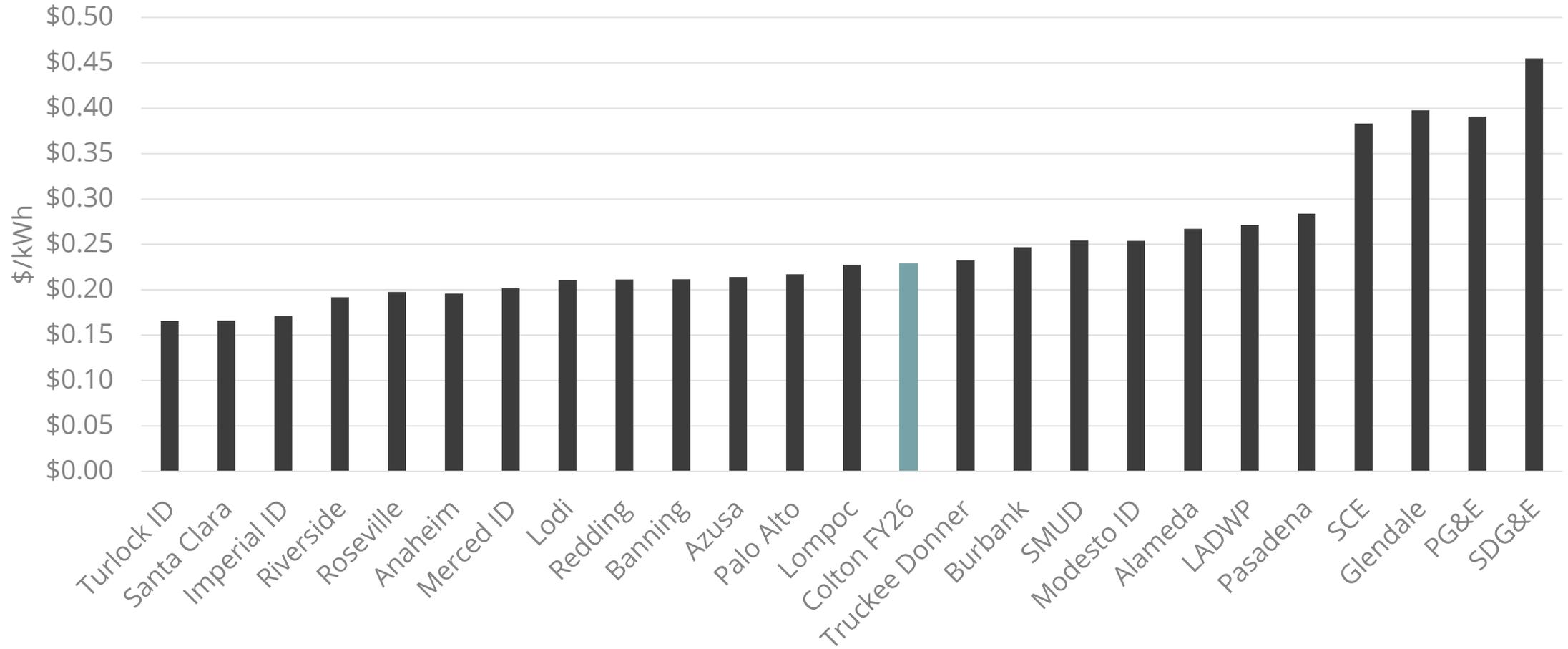


— BILL IMPACT: AVERAGE HOME

□ 500 kWh/Month

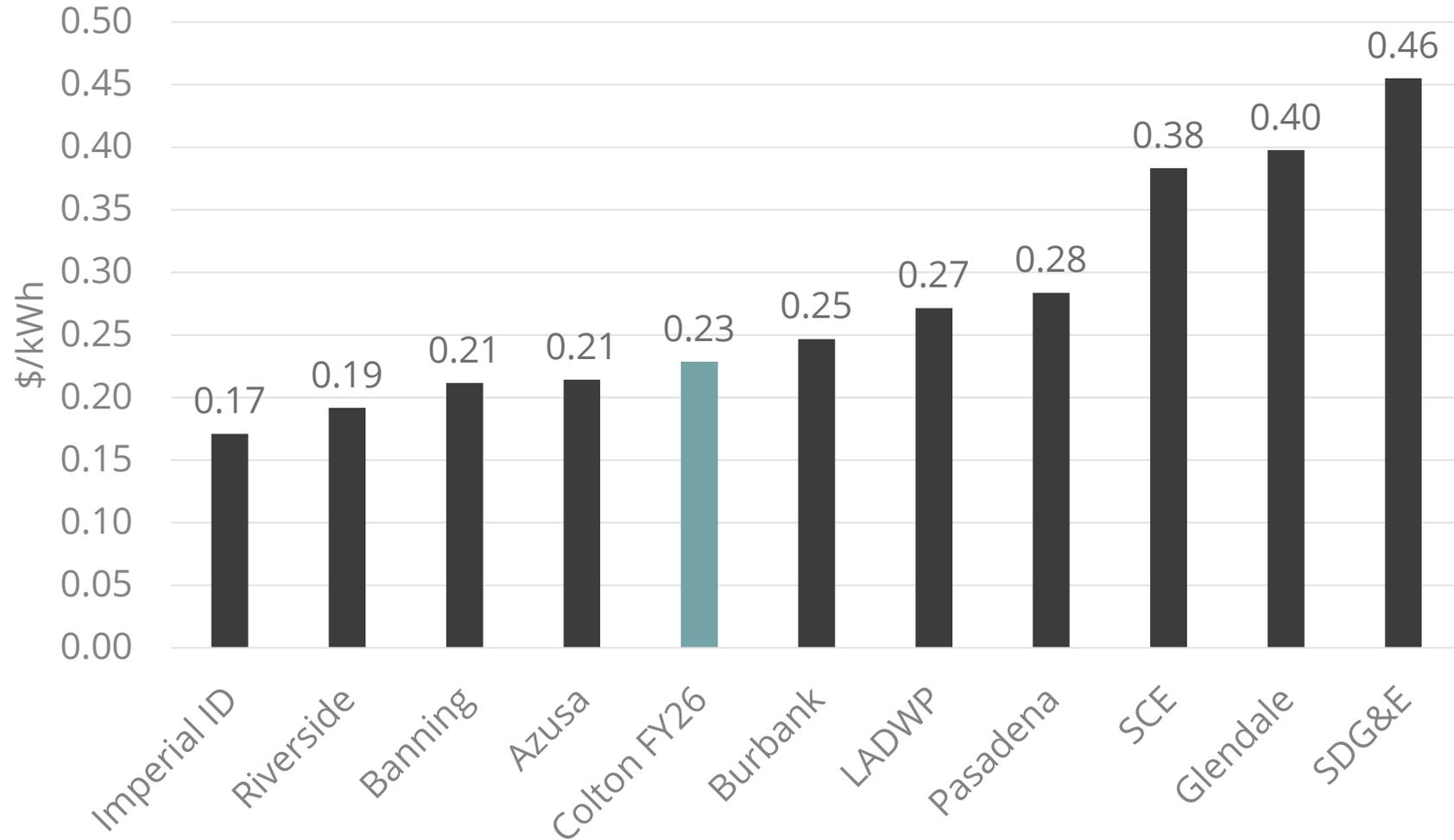
	Current Bill	FY 2026	FY 2027	FY 2028	FY 2029
Monthly Bill	\$113.76	\$114.30	\$121.39	\$126.58	\$129.58
Year over Year Change		\$0.54	\$7.09	\$5.19	\$3.00

AVERAGE RESIDENTIAL RATE: 500 KWH/MO

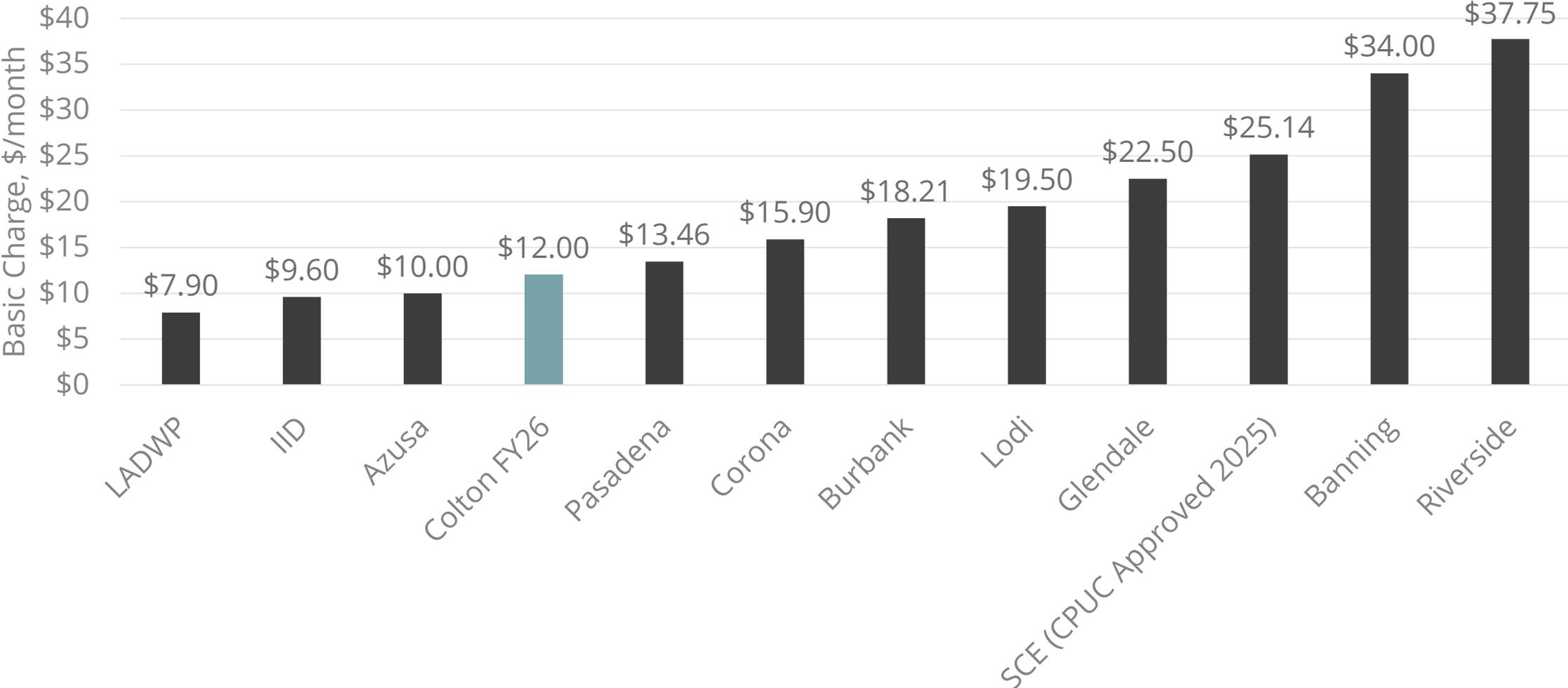


SOUTHERN CA UTILITY RATE COMPARISON

(AVERAGE RESIDENTIAL RATE: 500 KWH/MO)



FIXED MONTHLY CHARGE COMPARISON: RESIDENTIAL



— SMALL GENERAL SERVICE < 20 KW

	Cost of Service Unit Costs	Current Rates including PCA	FY 2026 Recommended	FY 2027 Recommended	FY 2028 Recommended	FY 2029 Recommended
Facilities Charge, \$/month	\$18.54	Single Phase: \$14.00 Three Phase: \$17.50	Single Phase: \$25.00 Three Phase: \$30.00	Single Phase: \$27.00 Three Phase: \$32.00	Single Phase: \$29.00 Three Phase: \$35.00	Single Phase: \$33.00 Three Phase: \$40.00
Energy, \$/kWh	\$0.2523					
First 2,500 kWh		\$0.27263	\$0.25982	\$0.25956	\$0.26216	\$0.26347
2,501-10,000 kWh		\$0.28450	\$0.27113	\$0.27086	\$0.27357	\$0.27494
>10,000 kWh		\$0.28925	\$0.27566	\$0.27538	\$0.27813	\$0.27952
Public Benefits Charge \$/kWh		\$0.0029	\$0.00767	\$0.00712	\$0.00732	\$0.00754
Rate Adjustment			0.0%	0.0%	1.3%	1.2%

MEDIUM GENERAL SERVICE > 20 KW AND < 200 KW

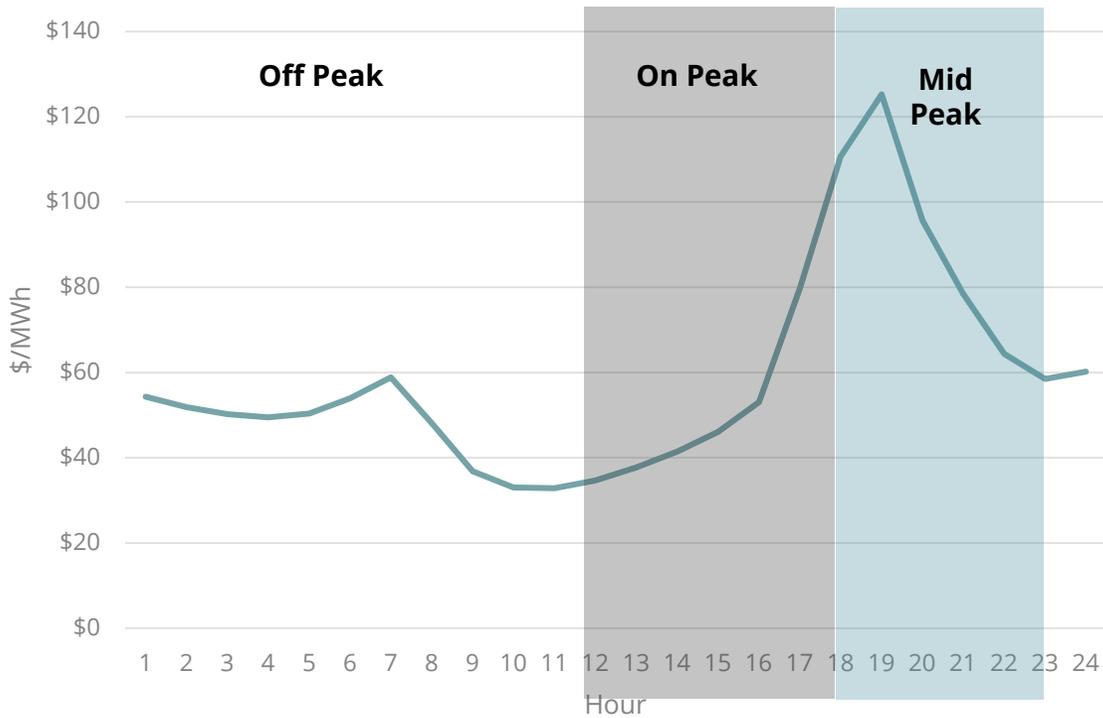
	Cost of Service Unit Costs	Current Rates including PCA	FY 2026 Recommended	FY 2027 Recommended	FY 2028 Recommended	FY 2029 Recommended
Facilities Charge, \$/month	\$46.56	Single Phase: \$14.00 Three Phase: \$17.50	Single Phase: \$30.00 Three Phase: \$35.00	Single Phase: \$32.00 Three Phase: \$37.00	Single Phase: \$35.00 Three Phase: \$40.00	Single Phase: \$40.00 Three Phase: \$50.00
Energy, \$/kWh	\$0.08861					
First 7,500 kWh		\$0.26550	\$0.23178	\$0.21301	\$0.20236	\$0.18233
>7,500 kWh		\$0.27025	\$0.23593	\$0.21682	\$0.20598	\$0.18559
Demand, \$/kW-mo above 20 kW	\$41.75	\$3.75	\$10.00	\$15.00	\$20.00	\$25.00
Public Benefits Charge \$/kWh		\$0.0029	\$0.00767	\$0.00712	\$0.00732	\$0.00754
Rate Adjustment			0.0%	0.0%	3.2%	0.0%

— TIME OF USE PERIOD UPDATE

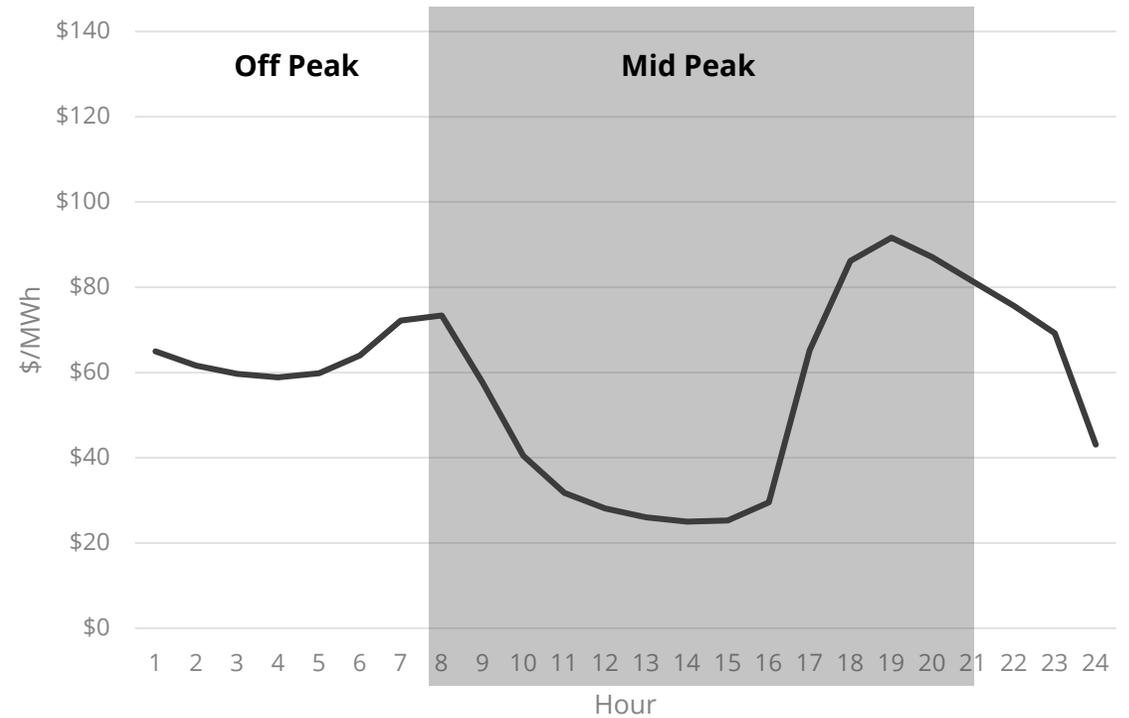
- **Applies to Large General Service and Industrial**
- **Market Prices**
- **Simplify Rate Structure**

CURRENT TIME OF USE PERIODS VS. MARKET PRICES

Summer Weekday

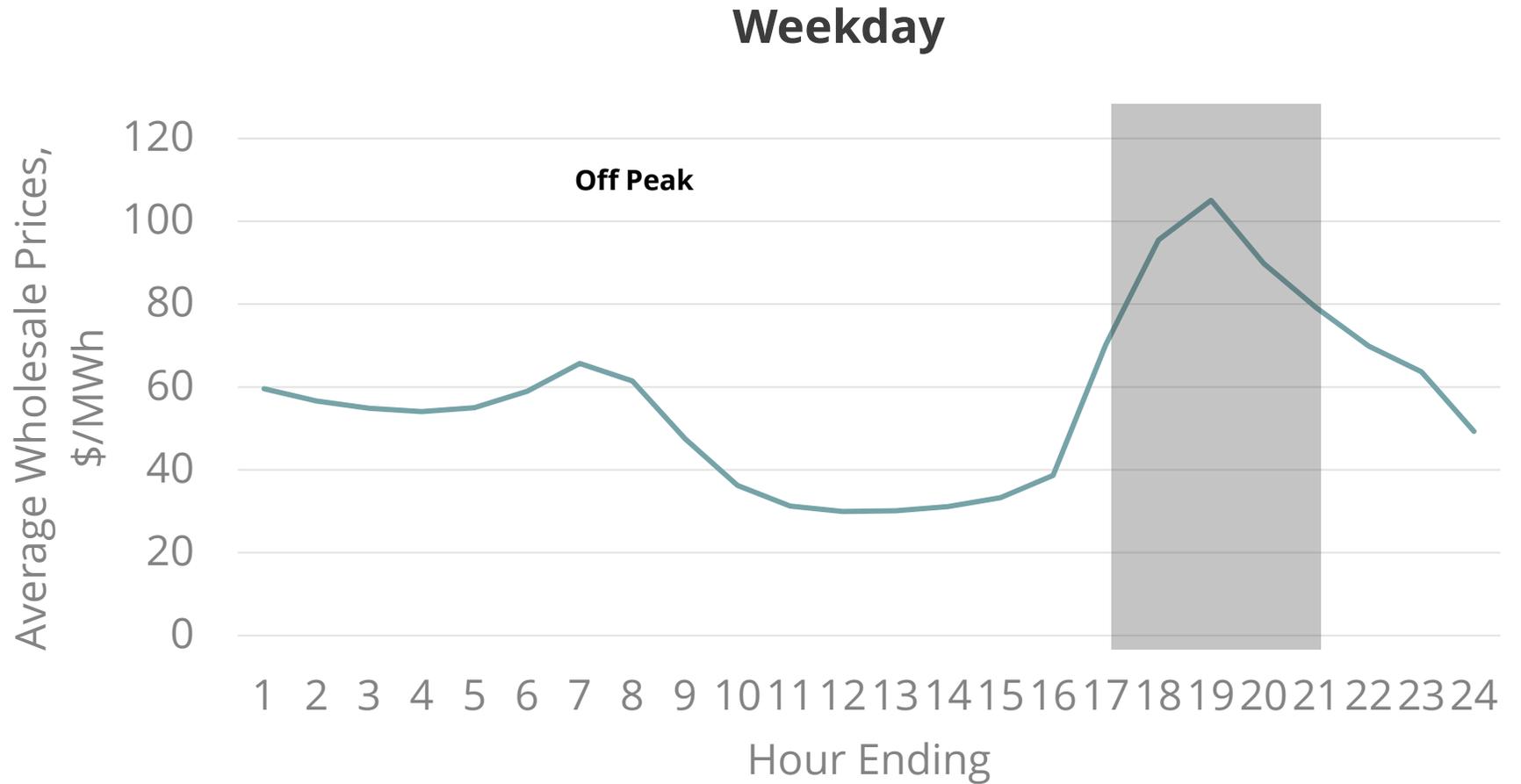


Winter Weekday



PROPOSED TIME OF USE

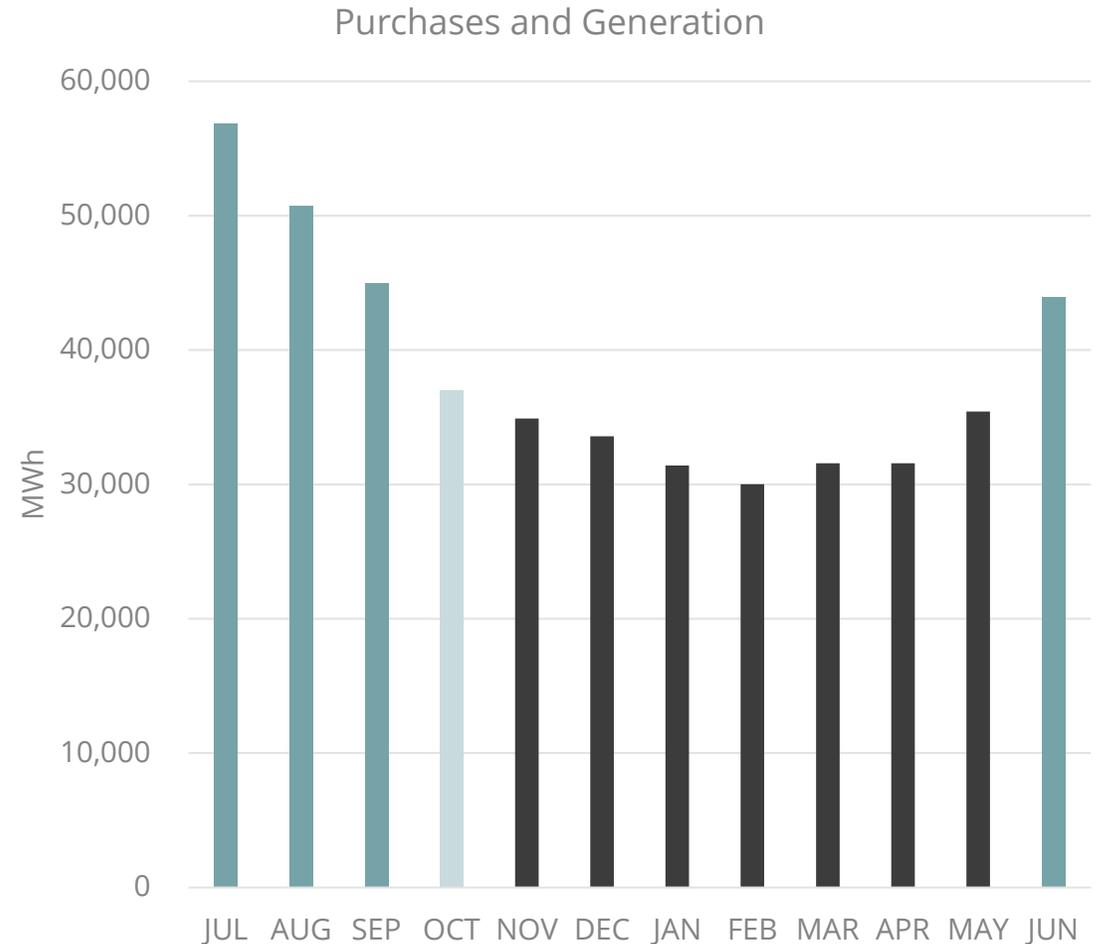
- **On-Peak: 4 p.m. to 9 p.m. Weekdays**
- **Off-Peak: All Other Hours**



SEASONAL ANALYSIS

Average Monthly Usage, kWh	TOU LGS 1	Industrial
Current Summer: May 25 – Sept 25	179,852	142,592
Proposed Summer: May 25 – Oct 25	180,879	149,160

- ❑ **Large General Service/Industrial Loads are Not Very Seasonal**
- ❑ **Somewhat Higher Usage When Including October in the Summer Season**
- ❑ **October has Higher Consumption than Nov-May**



CURRENT AND PROPOSED TIME OF USE PERIODS

Current	Proposed
Summer: May 25-September 25	Summer: May 25-October 25
On-Peak: Weekdays 12 pm to 6 pm Except Holidays	On-Peak: 4 pm to 9 pm Every Day
Mid-Peak: Weekdays 6 pm to 11 pm Except Holidays	Off-Peak: All Other Hours
Off-Peak: All Other Hours	

Current	Proposed
Winter: September 26-May 24	Winter: October 26-May 24
Mid-Peak: Weekdays 8 am to 9 pm Except Holidays	On-Peak: 4 pm to 9 pm Every Day
Off-Peak: All Other Hours	Off-Peak: All Other Hours

LARGE GENERAL SERVICE > 200 KW

	Cost of Service Unit Costs	Current Rates including PCA	FY 2026 Recommended	FY 2027 Recommended	FY 2028 Recommended	FY 2029 Recommended
Facilities Charge, \$/month	\$49.85	\$797.50	\$797.50	\$797.50	\$797.50	\$797.50
Energy, \$/kWh	\$0.09138					
Summer On-Peak		\$0.26480	\$0.26339	\$0.25022	\$0.24021	\$0.23060
Summer Mid-Peak		\$0.18443				
Summer Off-Peak		\$0.17786	\$0.12664	\$0.12031	\$0.11550	\$0.11088
Winter Mid-Peak		\$0.18443	\$0.19634	\$0.18653	\$0.17907	\$0.17191
Winter Off-Peak		\$0.17622	\$0.13749	\$0.13061	\$0.12539	\$0.12037
Demand, \$/kW-mo						
Facilities, \$/kW-mo	\$31.23	\$3.37	\$14.00	\$16.00	\$18.00	\$20.00
Summer On-Peak	\$17.61	\$11.48	\$14.00	\$16.00	\$18.00	\$18.00
Summer Mid-Peak		\$2.87				
Winter Mid-Peak	\$17.61	\$2.87	\$6.00	\$8.00	\$10.00	\$12.00
Power Factor Adjustment \$/kVar		\$0.6525	\$0.6525	\$0.6525	\$0.6525	\$0.6525
Public Benefits Charge \$/kWh		\$0.0029	\$0.00767	\$0.00712	\$0.00732	\$0.00754
Rate Adjustment			0.0%	1.5%	2.6%	1.6%

INDUSTRIAL > 200 KW

	Cost of Service Unit Costs	Current Rates including PCA	FY 2026 Recommended	FY 2027 Recommended	FY 2028 Recommended	FY 2029 Recommended
Facilities Charge, \$/month	\$116.85	\$659.18	\$659.18	\$659.18	\$659.18	\$659.18
Energy, \$/kWh	\$0.09138					
Summer On-Peak		\$0.25369	\$0.29067	\$0.27323	\$0.25410	\$0.23885
Summer Mid-Peak		\$0.24523				
Summer Off-Peak		\$0.24033	\$0.17472	\$0.16424	\$0.15274	\$0.14358
Winter Mid-Peak		\$0.24522	\$0.26784	\$0.25177	\$0.23415	\$0.22010
Winter Off-Peak		\$0.23820	\$0.18969	\$0.17831	\$0.16583	\$0.15588
Demand, \$/kW-mo						
Facilities, \$/kW-mo	\$33.01	\$4.04	\$14.00	\$16.00	\$18.00	\$20.00
Summer On-Peak	\$20.47	\$10.28	\$14.00	\$16.00	\$18.00	\$18.00
Summer Mid-Peak		\$2.58				
Winter Mid-Peak	\$20.47	\$2.37	\$6.00	\$8.00	\$10.00	\$12.00
Power Factor Adjustment \$/kVar		\$0.53923	\$0.53923	\$0.53923	\$0.53923	\$0.53923
Public Benefits Charge \$/kWh		\$0.0029	\$0.00767	\$0.00712	\$0.00732	\$0.00754
Rate Adjustment			0.0%	0.0%	0.0%	0.0%



LIGHTING

	FY2025	FY2025 with PCA	FY2026	FY2027	FY2028	FY2029
DD1 - Dusk to Dawn Lights - 70 Watts	\$0.13400	\$0.21900	\$0.24798	\$0.26798	\$0.28798	\$0.30798
DD2 - Dusk to Dawn Lights - 100 Watts	\$0.14298	\$0.22798	\$0.24798	\$0.26798	\$0.28798	\$0.30798
DD3 - Dusk to Dawn Lights - 150 Watts	\$0.11141	\$0.19641	\$0.21641	\$0.23641	\$0.25641	\$0.27641
DD4 - Dusk to Dawn Lights - 250 Watts	\$0.09755	\$0.18255	\$0.20255	\$0.22255	\$0.24255	\$0.26255
DD5 - Dusk to Dawn Lights - 400 Watts	\$0.06476	\$0.14976	\$0.16976	\$0.18976	\$0.20976	\$0.22976



— RECAP

- **CEU Average Residential Customer Bill of \$0.23/kWh**
 - *Last rate increase in 2009*
 - *Rate decrease in 2013*
 - *Average CEU residential monthly bill in 2024 = \$113.76*
 - *~40% below SCE system average*

- **SCE System 2025 Rate of \$0.38**
 - *Increased More than 90% in Last Ten Years,*
 - *Omits Local Taxes and Surcharges*
 - *Average SCE monthly bill in 2024 = \$177.50 (excluding local taxes and surcharges)*

— RECAP (CONT'D)

- **2024 Statewide Average Rate of \$0.3268/kWh**
 - *10.6% Increase from 2023*
 - *Proposed CEU rates are ~30% below 2024 statewide average*
- **Align Rates with Cost to Provide Service**
- **Increase Reserves**
- **Enhance Public Benefits programs**
- **Stabilize Rates**
- **Invest in Long-Term System Improvements**
- **2025 Rebate to Customers**

THANK YOU!

