

Yet to be Passed

Resolution No. _____

Resolution of the Council of the City of Palo Alto Approving the Fiscal Year 2025 Electric Utility Financial Plan and Accepting the 2024 City of Palo Alto Electric Cost of Service and Rate Study, and Amending Utility Rate Schedules E-1 (Residential Electric Service), E-2 (Residential Master-Metered and Small Non-Residential Electric Service), E-2-G (Residential Master-Metered and Small Non-Residential Green Power Electric Service), E-4 (Medium Non-Residential Electric Service), E-4-G (Medium Non-Residential Green Power Electric Service), E-4 TOU (Medium Non-Residential Time of Use Electric Service), E-7 (Large Non-Residential Electric Service), E-7-G (Large Non-Residential Green Power Electric Service), E-7 TOU (Large Non-Residential Time of Use Electric Service), E-NSE (Net Surplus Electricity Compensation Rate), and E-EEC (Export Electricity Compensation)

R E C I T A L S

A. Each year the City of Palo Alto (“City”) regularly assesses the financial position of its utilities with the goal of ensuring adequate revenue to fund operations. This includes making long-term projections of market conditions, the physical condition of the system, and other factors that could affect utility costs, and setting rates adequate to recover these costs. It does this with the goal of providing safe, reliable, and sustainable utility services at competitive rates. The City adopts Financial Plans to summarize these projections.

B. The City uses reserves to protect against contingencies and to manage other aspects of its operations, and regularly assesses the adequacy of these reserves and the management practices governing their operation. The status of utility reserves and their management practices are included in Reserves Management Practices attached to and made part of the Financial Plans.

C. Pursuant to Chapter 12.20.010 of the Palo Alto Municipal Code, the Council of the City of Palo Alto may by resolution adopt rules and regulations governing utility services, fees and charges.

D. On June 17, 2024, the City Council heard and approved the proposed rate increase at a noticed public hearing.

The Council of the City of Palo Alto does hereby RESOLVE as follows:

SECTION 1. The Council hereby approves the FY 2025 Electric Utility Financial Plan (Exhibit A), including the

amended Electric Utility Reserves Management Practices in Appendix B of the Financial Plan.

SECTION 2. The Council hereby approves the following transfers to be made by the end of FY 2024, as described in the FY 2025 Electric Utility Financial Plan:

- a. A transfer of up to \$20 million from the Electric Special Projects Reserve to the Supply Operations Reserve; and
- b. A transfer of up to \$17 million from the Supply Operations Reserve to the Hydroelectric Stabilization Reserve; and
- c. A transfer of up to \$58 million from the Supply Operations Reserve to the Distribution Operations Reserve

SECTION 3. The Council hereby approves the following transfers to be made by the end of FY 2025, as described in the FY 2025 Electric Utility Financial Plan:

- a. A transfer of up to \$26 million from the Distribution Operations Reserve to the Supply Operations Reserve; and
- b. A transfer of up to \$30 million from the Supply Operations Reserve to the Electric Special Projects Reserve; and
- c. A transfer of up to \$5 million from the Distribution Operations Reserve to the CIP Reserve

SECTION 4. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-1 (Residential Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-1, as amended, shall become effective July 1, 2024.

SECTION 5. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-2 (Residential Master-Metered and Small Non-Residential Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-2, as amended, shall become effective July 1, 2024.

SECTION 6. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-2-G (Residential Master-Metered and Small Non-Residential Green Power Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-2-G, as amended, shall become effective July 1, 2024.

SECTION 7. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-4 (Medium Non-Residential Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-4, as amended, shall become effective July 1, 2024.

SECTION 8. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-4-G (Medium Non-Residential Green Power Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-4-G, as amended, shall

become effective July 1, 2024.

SECTION 9. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-4 TOU (Medium Non-Residential Time of Use Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-4 TOU, as amended, shall become effective July 1, 2024.

SECTION 10. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-7 (Large Non-Residential Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-7, as amended, shall become effective July 1, 2024.

SECTION 11. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-7-G (Large Non-Residential Green Power Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-7-G, as amended, shall become effective July 1, 2024.

SECTION 12. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-7 TOU (Large Non-Residential Time of Use Electric Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-7 TOU, as amended, shall become effective July 1, 2024.

SECTION 13. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-NSE (Net Surplus Electricity Compensation Rate) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-NSE-1, as amended, shall become effective July 1, 2024.

SECTION 14. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-EEC-1 (Export Electricity Compensation) is hereby amended to read as attached and incorporated. Utility Rate Schedule E-EEC-1, as amended, shall become effective July 1, 2024.

SECTION 15. The Council makes the following findings:

- a. The revenue derived from the adoption of this resolution shall be used only for the purpose set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.
- b. The fees and charges adopted by this resolution are charges imposed for a specific government service or product provided directly to the payor that are not provided to those not charged, and do not exceed the reasonable costs to the City of providing the service or product.

SECTION 16. The Council finds that approving the Financial Plan and Reserve transfers does not meet the California Environmental Quality Act's (CEQA) definition of a project under Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(5), because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment, and therefore, no environmental assessment is required. The Council finds that changing electric rates to meet operating expenses, purchase supplies and materials, meet financial reserve needs and obtain funds for capital improvements necessary to maintain service is not subject to the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8) and CEQA Guidelines Sec. 15273(a). After reviewing the staff report and all attachments presented to Council, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

Director of Utilities

Director of Administrative Services