

To: Columbia City Council

From: David Switzer, Water and Light Advisory Board Chair

Date: 3/9/2023

Subject: Follow-up on Electric Cost-of-Service Study

I am writing on behalf of the Water and Light Advisory Board with a follow up based on the March 6 pre-council work session. We voted to have these four points made to council for the April 3 pre-council meeting regarding electric rates:

1. We would once again like to emphasize the importance of meeting the utility's financial obligations through a rate adjustment. It is easy to get lost in the nuance of rate design, but when it comes to keeping utility rates affordable, the specifics of rate design are ultimately a secondary priority. The first priority in keeping rates affordable moving forward is to meet the financial obligations of the utility in a timely fashion. Further delays or half measures will only lead to larger increases in the future, which will have an even more profound impact on low-income affordability.
2. Along these lines, we would like to emphasize the importance of moving forward in a timely manner. The current plan is to have the rate adjustments made for July. To implement this, the absolute latest council could approve rate adjustments would be the first council meeting in June. This would mean introduction would have to be at the second council meeting in May. Delaying beyond this point would mean larger adjustments are needed to meet the financial targets of the utility. Additionally, we would like to remind council that the sale of the water bonds is tied directly to the passage of the electric rate adjustment. It is not possible to move forward with the water treatment plant upgrades until the electric rates are passed. Approving electric rates before June would allow for the treatment plant to move forward on a faster timeline.
3. Affordability of rates is a crucial goal, and we believe that careful rate design and the use of metrics such as an Affordability Ratio or Hours at Minimum wage can be used to help with this goal. The California Public Utilities Commission uses affordability metrics to evaluate private utility rates and cities like Phoenix, Austin, and Chicago have also adopted metrics for evaluating rate affordability. We are discussing options to pursue a similar approach in Columbia, including the possibility of hiring an outside expert to help facilitate the process. At our April meeting we will review of the processes used in other cities to develop affordability metrics.
4. Finally, we want to again emphasize that moving to smaller more frequent rate adjustments is an important goal for the utility. This larger increase is necessary to meet the current financial obligations, but moving forward it would be prudent to do smaller annual increases. With the potential for larger increases down the road, it may be prudent to pursue small increases in the intervening years.