



ITEM 8.C

Glendale Water and Power 2023 Electric Rates Cost of Service Analysis (COSA)

November 14, 2023

Scott K. Mellon, Assistant General Manager – Power Management

Glendale Water & Power

Background

Last Rate Increase

2018

COSA conducted to support proposed Grayson Repower Project

2019

COSA conducted to support proposed VPP Project

2022

Council approves 3 Wartilas for Grayson Repower Project

2022

COSA conducted to support Council approved Capital Projects

2023

Delivering Customer

Value

**Providing
Safe,
Reliable, and
Sustainable
Power**

Policy

Recommendations
are Based on this
Balance

**Operating
at the
Lowest Cost
Possible**

Factors that Impact Rates

Infrastructure/Capital Improvements & Maintenance

Supply Chain

Material Limitations

Labor Availability

Factors that Impact Rates

Borrowing Costs



Factors that Impact Rates

Power Procurement Costs: **52%** increase in 2023

	2022	2023	2024	2025	2026	2027	2028
2021 COSA							
Power Supply Forecast	\$121,205,228	\$122,310,204	\$131,194,474	\$142,326,613	\$139,211,111	\$139,516,334	\$139,032,546
2023 COSA							
Power Supply Forecast	\$161,824,155	\$186,073,042	\$191,058,756	\$171,783,395	\$175,301,324	\$181,424,389	\$185,363,030
Difference	33.5%	52.1%	45.6%	20.7%	25.9%	30.0%	33.3%

Factors that Impact Rates

Clean Energy Goals & Initiatives

Adoption of Clean
& Renewable
Energy
Technologies

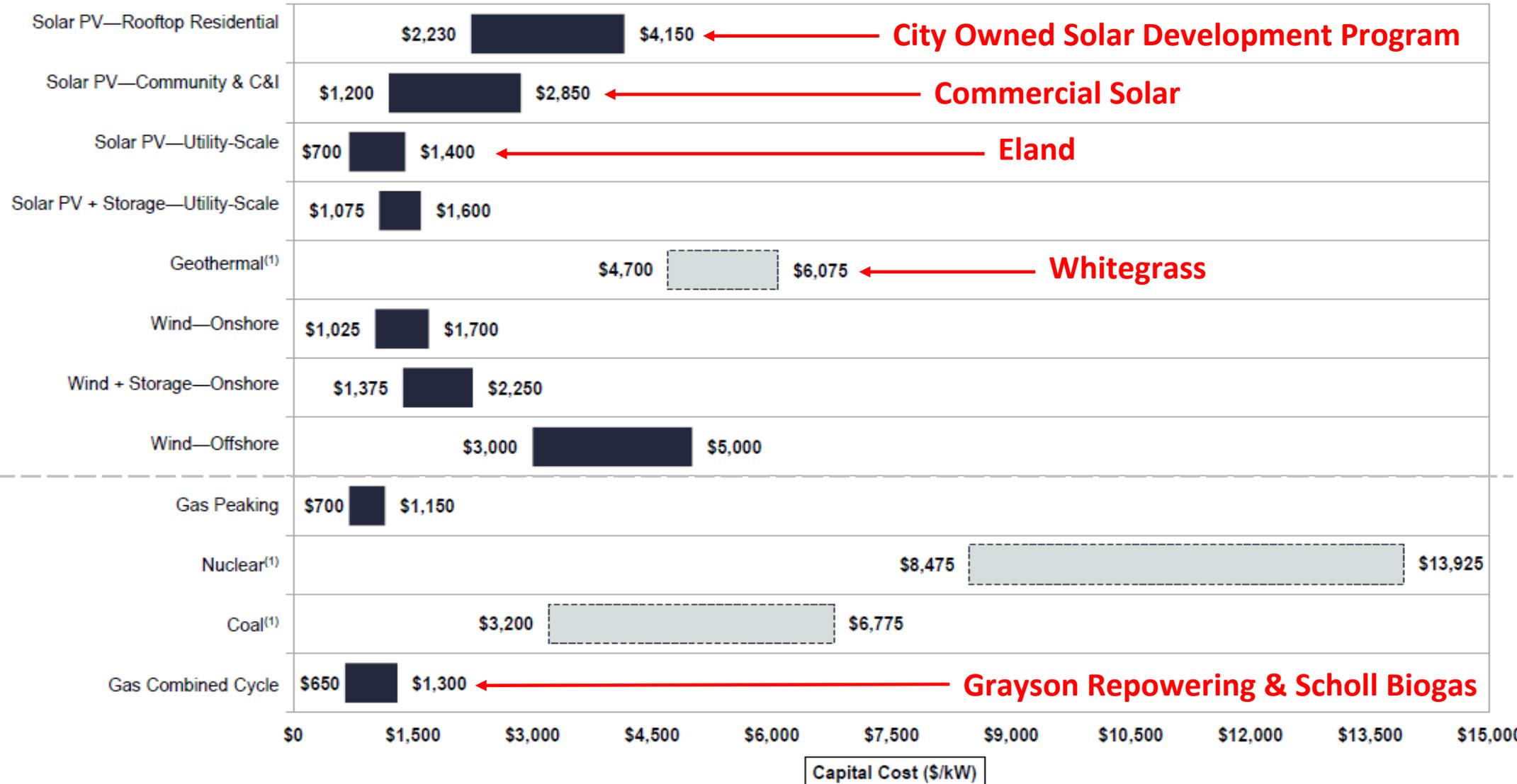


Electrification
of Vehicle &
Buildings

Levelized Cost of Energy – Capital Cost Comparison

Renewable Energy

Conventional

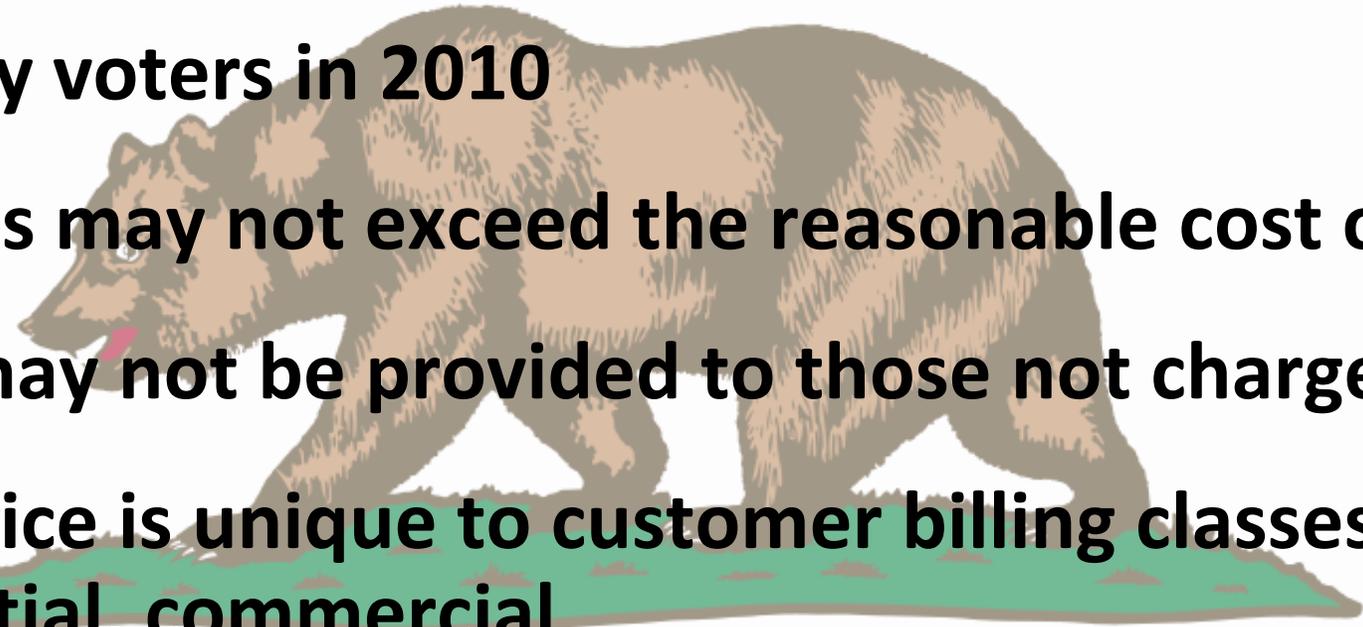


Source: Lazard and Roland Berger estimates and publicly available information.
 Notes: Figures may not sum due to rounding.
 (1) Given the limited public and/or observable data set available for new-build geothermal, coal and nuclear projects, and the emerging range of new nuclear generation strategies, the LCOE presented herein represents Lazard's LCOE v15.0 results adjusted for inflation and, for nuclear, are based on then-estimated costs of the Vogtle Plant and are U.S.-focused.



Proposition 26

- **Approved by voters in 2010**
- **Electric rates may not exceed the reasonable cost of service**
- **Electricity may not be provided to those not charged**
- **Cost of Service is unique to customer billing classes, e.g. residential, commercial**



CALIFORNIA REPUBLIC

BOND ISSUANCE SCENARIOS

Five Bond Issuance Scenarios were considered when determining the lowest impact to customer rates

Scenario	Total Bond Issuance Value	Tranche Value	Tranches (FY)	Projected Average Rate Adjustments			Maximum Debt Service
				FY2024	FY2025	FY2026	
1	\$ 600,000,000	\$ 600,000,000	1 (FY 24)	24.10%	9.25%	9.25%	\$ 49,117,750
2	\$ 500,000,000	\$ 500,000,000	1 (FY 24)	19.80%	8.85%	8.85%	\$ 41,824,250
3	\$ 600,000,000	\$ 300,000,000	2 (FY 24 & 25)	16.80%	12.25%	12.25%	\$ 47,876,500
4	\$ 600,000,000	\$ 200,000,000	3 (FY 24, 25, & 26)	15.35%	13.10%	13.10%	\$ 48,770,250
5	\$ 500,000,000	\$ 166,000,000	3 (FY 24, 25, & 26)	14.80%	11.30%	11.30%	\$ 42,377,500

2023 FINANCIAL FORECAST RESULTS

\$166 million debt issued in 2024, 2025, and 2026

	2024	2025	2026	2027	2028
Revenues	\$257,660,514	\$289,712,838	\$325,016,450	\$328,902,696	\$332,722,360
Revenue Requirement	\$242,409,486	\$278,458,931	\$318,096,646	\$339,667,989	\$346,566,505
Over (under) Collection	\$15,251,028	\$11,253,907	\$6,919,804	(\$10,765,293)	(\$13,844,145)
Overall Rate Increase Needed for Financial Stability	14.80%	11.30%	11.30%	0.00%	0.00%
DCOH (Maintain current ECA/RAC/RDC)	308	344	346	320	295
DSCR (Maintain current ECA/RAC/RDC)	1.10	2.35	2.48	2.07	2.00
Income to meet Depreciation and Transfer - over / (under)	(\$32,617,709)	\$12,224,038	\$37,997,022	\$32,932,483	\$29,668,153
Bond Net Income Test - over / (under)	(\$39,251,372)	(\$4,637,765)	\$13,796,273	\$5,445,483	\$2,925,653

Note:

1. Current ECA, RDC, and RAC charges are transitioned into Base Rates in 2024 (21.7% effective Base Rate Increase, prior to additional rate increases).

RATE STRATEGY AND BILL IMPACTS

Rate and Bill Impact Strategy: no class gets more than 1.25 times the system average rate increase, work towards the COS each year or phase, and aligns with COS in final year FY 2027.

Option 1 (RECOMMENDED)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Cumulative
Residential	18.6%	14.0%	13.8%	0.0%	0.0%	53.9%
Small Business	18.2%	13.5%	12.6%	0.0%	0.0%	51.1%
Medium Business	9.7%	7.5%	7.4%	0.0%	0.0%	26.7%
Large Business	12.1%	9.4%	9.5%	0.0%	0.0%	34.3%
Total System Average Bill Changes	14.8%	11.3%	11.3%	0.0%	0.0%	42.2%

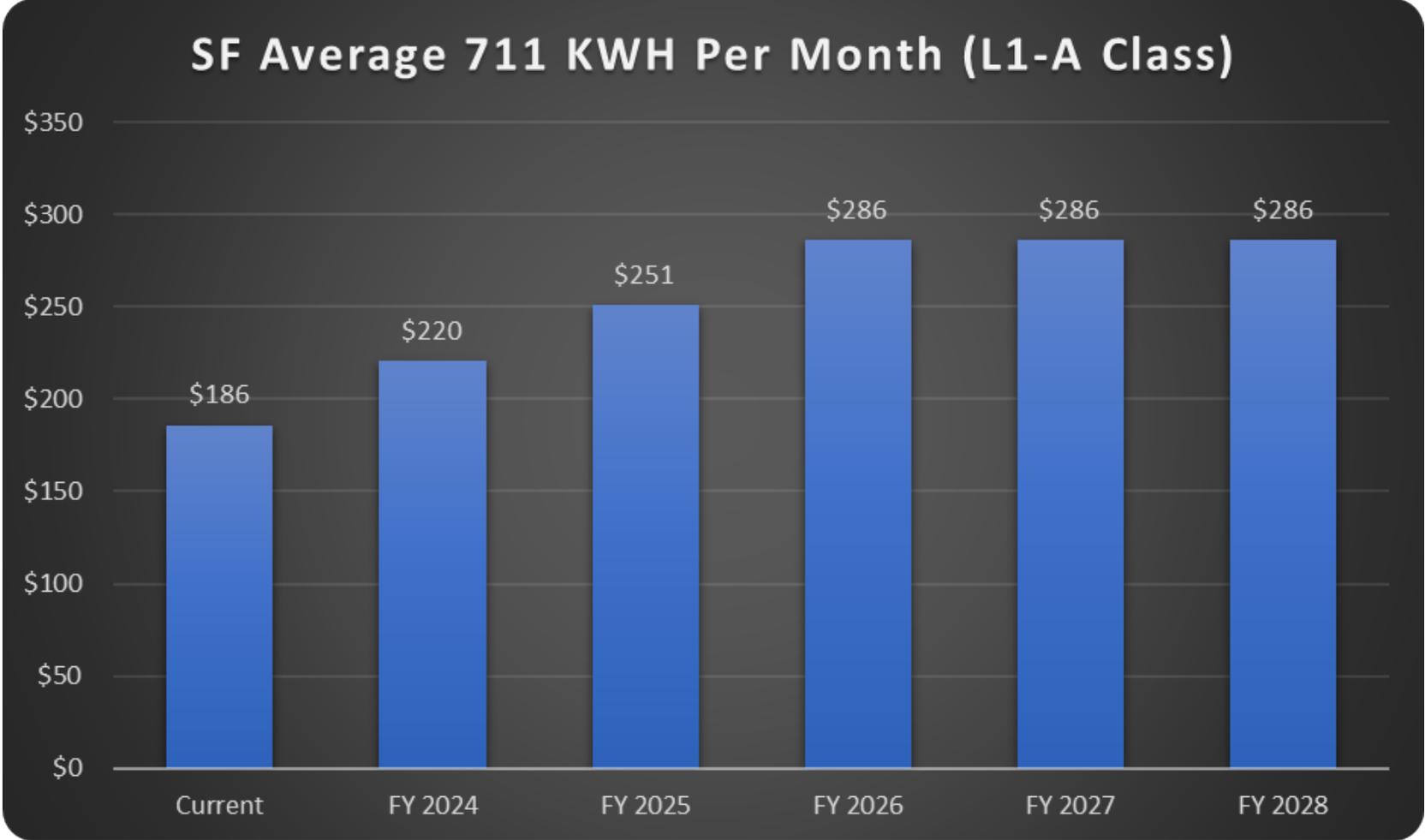
RATE STRATEGY AND BILL IMPACTS

Option 2

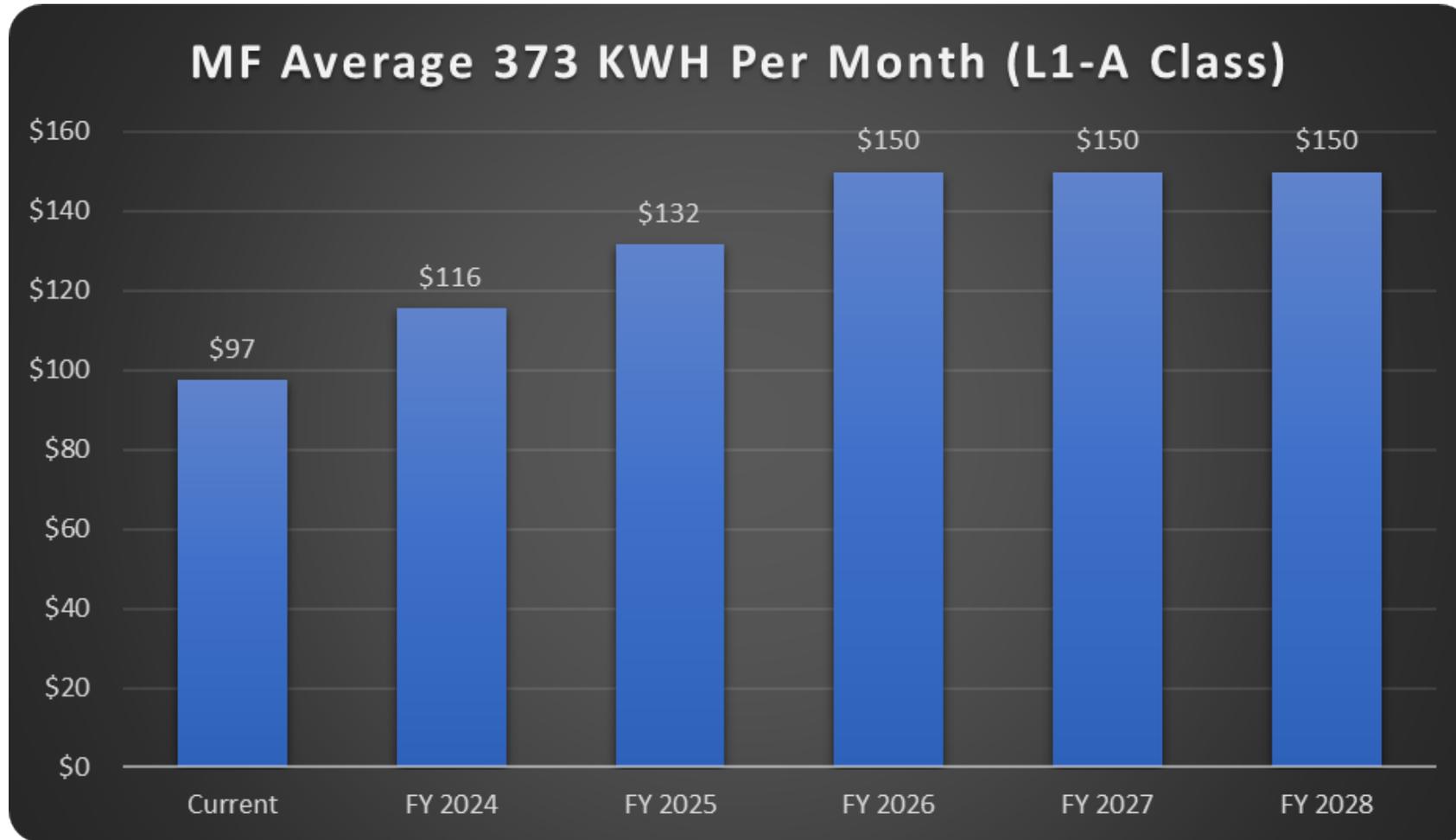
- Reduces the yearly increase compared to Option 1
- Increases the number of “increase years” and cumulative increase

Option 2	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Cumulative
Residential	17.0%	10.8%	10.8%	10.8%	0.0%	59.1%
Small Business	16.8%	10.2%	10.2%	10.2%	0.0%	56.2%
Medium Business	8.9%	6.4%	6.3%	6.3%	0.0%	30.9%
Large Business	11.3%	7.7%	7.5%	7.7%	0.0%	38.8%
Total System Average Bill Changes	13.6%	9.0%	9.0%	9.0%	0.0%	47.1%

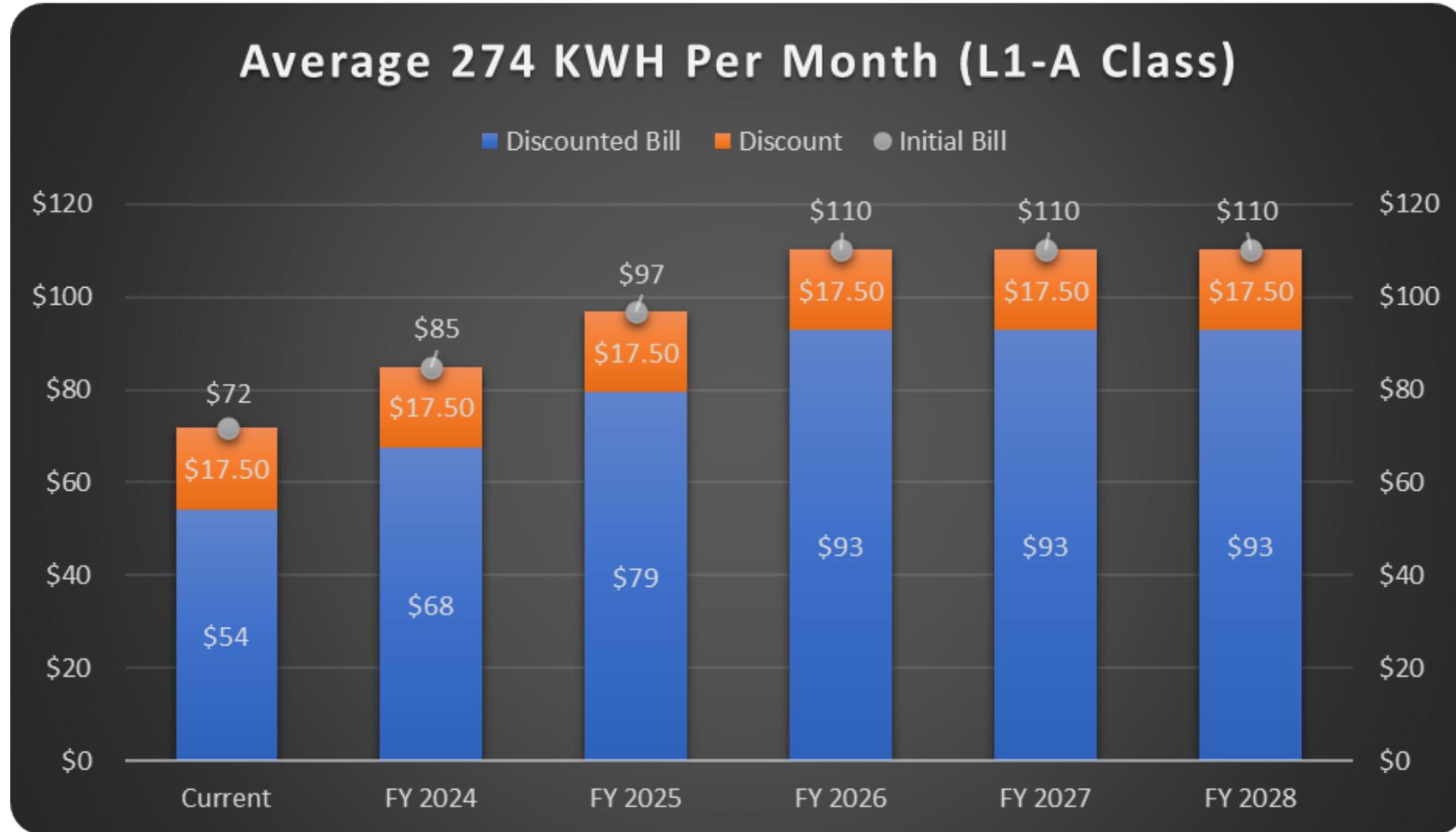
OPTION #1 AVERAGE MONTHLY BILL RESIDENTIAL SINGLE FAMILY



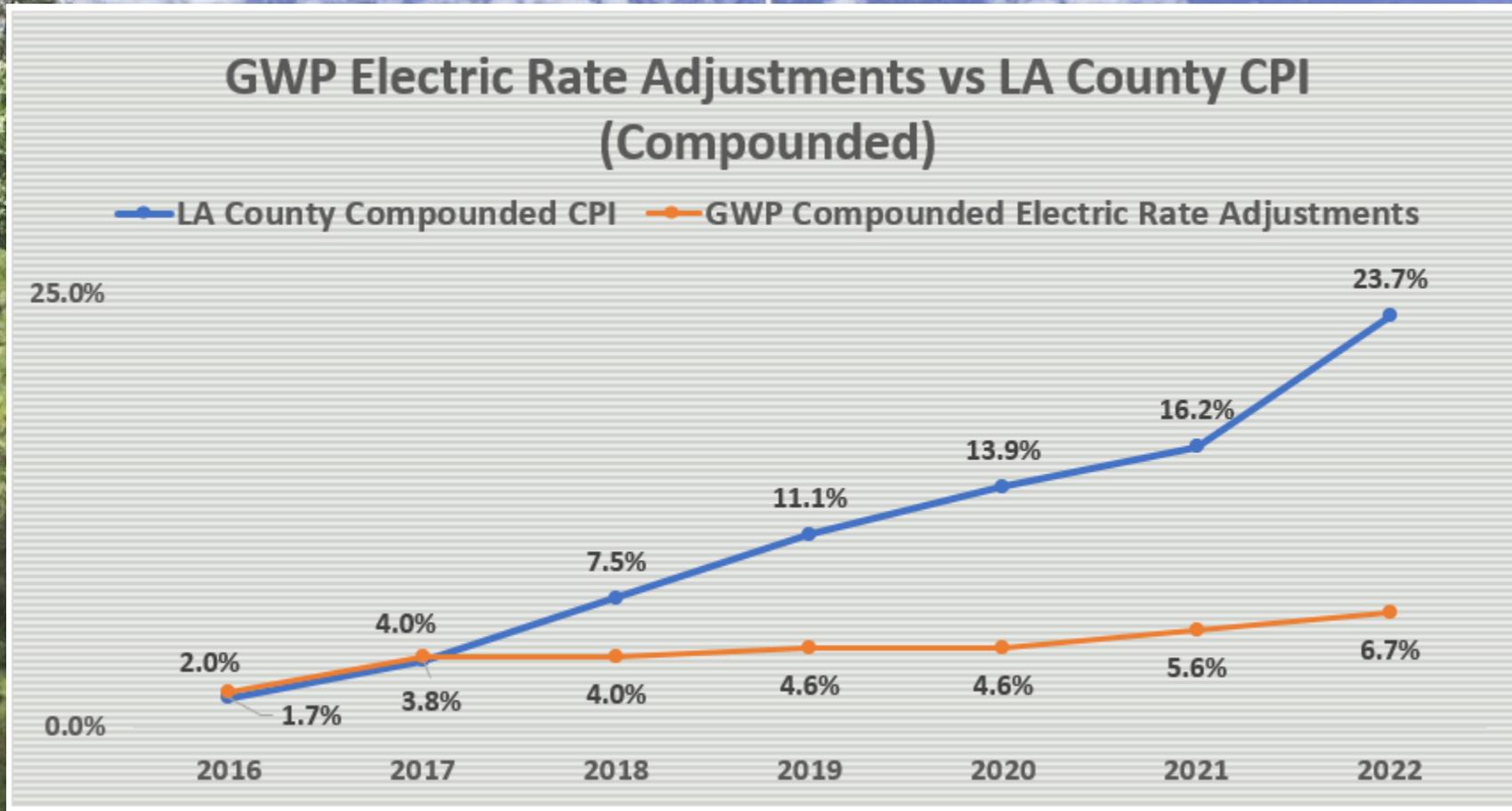
OPTION #1 AVERAGE MONTHLY BILL RESIDENTIAL MULTIFAMILY



OPTION #1 AVERAGE MONTHLY BILL LOW INCOME MULTIFAMILY



Historical Rate Adjustments



	GWP Annual Rate Adjustments vs LA County CPI						
	2016	2017	2018	2019	2020	2021	2022
LA County CPI	1.7%	2.1%	3.5%	3.4%	2.5%	2.0%	6.5%
GWP	2.0%	2.0%	0.0%	0.5%	0.0%	1.0%	1.0%

CUSTOMER ENGAGEMENT

GWP Staff and Consultants held three Community Meetings:

- October 18th at Glendale Police Department Community Room
- October 19th at Sparr Heights Community Center
- October 25th at Adult Recreation Center

Customer Outreach

- Social Media, Emails, Postcards, Websites, TV, and bill mailings
- Generated approximately 1.2M “impressions” just in October



CRITICAL TIMELINE

Date	Milestones
November 14, 2023	Electric Rate Adjustment Introduction
November 28, 2023	Electric Rate Adjustment Adoption
December 29, 2023	Electric Rate Effective Date
January 2024	Bond Ordinance Approved/Issued



RATE ADJUSTMENTS – A CRITICAL PATH

Consequential Impacts without Rate Increase:

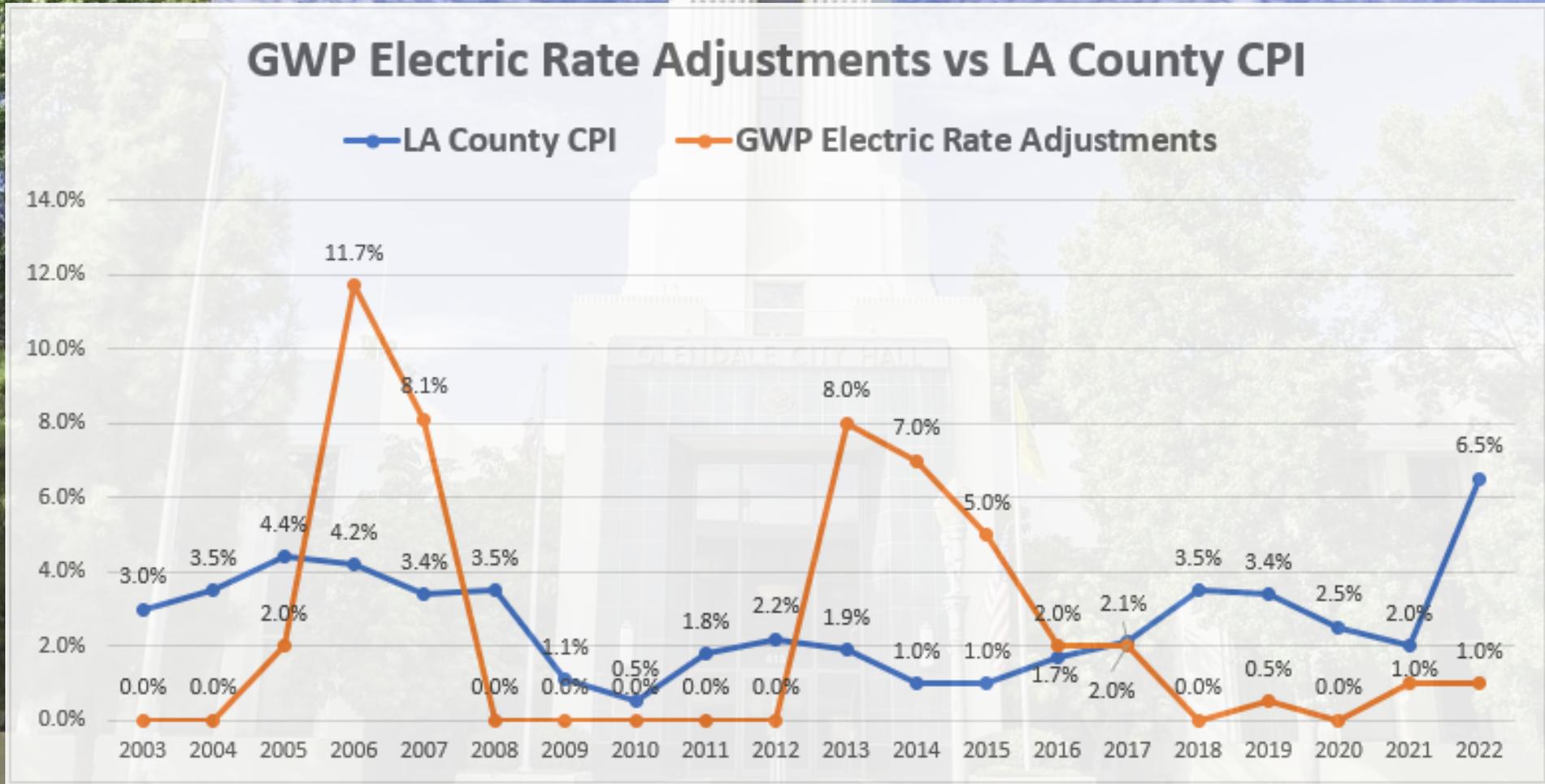
- Inability to meet City's Electric Load
- Insufficient Reserve Capacity
- Inability to fund, invest, or participate in Renewable projects
- Reduction/removal of GWP Fund Transfer impacting City Services
- Breach of statutory/contractual obligations to FERC, California, SCPPA, and BAASA(LADWP) including potential fines and/or damages
- Potential loss of Glendale publicly owned utility due to lack of revenue and/or inability to meet load obligation





Questions?

Parking Lot Slide



4.635% ▼ -0.076

U.S. Treasury Rates

Grayson Decision Points

1D 5D 1M 3M 6M YTD 1Y 5Y ALL

+ Comparison

Settings Edit Add Chat



July 23, 2019: Council approves Alternative Repowering Plan.

December 1, 2019: Council approves Alternative PR-DEIR for 2%.

February 7, 2021: Council approves 7% short-term funding (LNTF 2).

February 15, 2022: Council approves EIR, 5 Wartsilas.

December 13, 2022: Council approves Wartsila purchase (3 Wartsilas).

WAIT

WAIT

STOP

STOP

WAIT

GO

4.6270

23

2019 Jul 2020 Jul 2021 Jul 2022 Jul 2023 Jul

4.635% ▼ -0.076

U.S. Treasury Rates

Grayson Decision Points

1D 5D 1M 3M 6M YTD 1Y 5Y ALL

+ Comparison

