

ITEM #: 26
DATE: 11-28-23
DEPT: Electric Services

COUNCIL ACTION FORM

SUBJECT: MODIFICATIONS TO TIME-OF-USE ELECTRIC RATE FOR LARGE CUSTOMERS

BACKGROUND:

The Industrial Time-of-Use Electric Rate is a voluntary option for large electric customers whose metered demand at any time exceeds 2,500 kVA. This rate offers two mechanisms to help reduce the utility's overall annual peak. One provides an optional time-of-use rate to encourage large customers to shift their peak energy usage outside the window of 3 p.m. to 8 p.m., which is the time when the utility's electric demand is highest. The second option for eligible customers is to elect a partial interruptible load agreement where the utility may call on the customer to reduce load during times of peak demand. **The 2,500 kVA eligibility threshold is a high limit. Currently, only six of the electric utility's customers are eligible for the time-of-use rate. Staff recommends lowering the demand threshold from 2,500 kVA to 500 kVA. This modification has several advantages to both customers and the utility. First, it substantially increases the number of customers that may participate in the rate, thereby reducing their costs as a customer. In addition, it incentivizes more customers to shift their energy consumption to off-peak hours. Off-peak electric consumption is less costly for the utility to provide, and reduces the potential for a new electric peak demand to be reached. New electric peaks require the utility to invest in costly infrastructure.**

Staff has prepared an ordinance making the modification to the demand threshold for this rate. In addition, the ordinance renames the rate to the "Large Customer Time of Use Rate" to reflect that not all customers who elect the rate will be "industrial" customers. The proposed amendments were supported by the Electric Utility Operations Review and Advisory Board (EUORAB) on November 9.

ALTERNATIVES:

1. Approve first reading of the attached ordinance modifying Municipal Code, Chapter 28 to reduce the demand threshold for large electric time-of-use rates.
2. Refer this item back to staff for modifications.
3. Do not approve the attached ordinance.

CITY MANAGER'S RECOMMENDED ACTION:

Lowering the required demand threshold will increase the number of customers that can participate in the Time-of-Use electric rate. This will help the utility minimize the potential for new electric peaks, utilize energy at the times that are least costly, and take advantage of capacity in the electric system that is available during these off-peak hours of the day. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as noted above.

ATTACHMENT(S):

[Ordinance Industrial Time-Of-Use Electric Rate.PDF](#)