

Anaheim Public Utilities Rate Stabilization Adjustment (RSA) FAQs

How do the Electric Utility's rates compare to those charged by other electric utilities in the region?

Anaheim's overall electric rates are approximately 20 percent lower than our local competitor's current overall electric rates.

Why are Anaheim's rates lower than others?

Because Anaheim Public Utilities is owned by the customers it serves and is a "not for profit" agency. The Utility can only pass through costs to customers that relate to the business of providing electricity. The Utility has no profit margin to maintain and no stockholders to whom they must pay a dividend like the privately owned utilities do. The Anaheim Utility is entirely focused on providing reliable, economic power to their customer-owners.

What electric rate changes are proposed?

Anaheim Public Utilities is proposing modifications to an electric rate entitled Schedule PCRSA, Power Cost Adjustment/Rate Stabilization Account. The first change is simply to rename it Schedule RSA, Rate Stabilization Adjustment.

How would this rate action impact customer bills?

The proposed rate modifications would have no immediate impact on customer bills. Should this rate have to be used in the future, it is very tightly constrained as to how much it can be raised. If this rate was used to its maximum ability, this would result in a \$3.65 increase to a typical residential customer's monthly bill and a \$20.00 increase to a typical small business customer's monthly bill.

How are electric rates currently structured?

Currently, the electric rate structure includes the following: 1) a base rate to recover the majority of long-term costs, and 2) a power cost adjustment designed to recover variable power supply-related costs including the purchase and generation of energy. The power cost adjustment moves up and down as the cost of power and fuel changes.

What specific change is proposed to the current power cost adjustment?

The power cost adjustment is currently limited to a ½ cent per kilowatt hour (kWh) increase during a 12-month period. It is proposed to increase the limit by an additional 1 cent per kWh during the 12-month period, **only** if the Utility should lose a major power resource or if average wholesale energy or fuel prices increase by more than 10% of budgeted levels.

Why is this change in the current power cost adjustment being proposed?

During the spring and summer of 2008, a spike in natural gas prices of approximately 66% to \$12.67/MMBtu coupled with an unanticipated outage at our San Juan generating station, which supplies about 16% of our customers' annual energy needs, caused the Utility to exceed our budget by \$15 million in less than three months. The current power cost adjustment was insufficient to recover these costs and relatively low cash reserves were drawn down.

Are any other changes to rates proposed?

In addition to the power cost adjustment, there would be a new element named the Environmental Mitigation Adjustment or EMA established. This adjustment will recover environmental mitigation costs over time, in order to keep customer rates relatively stable and to provide transparency of environmental mitigation costs by accounting for them separately. This adjustment contains the same safeguards and constraints as the power cost adjustment; it can only be raised a limited amount, can only be used for specific environmentally related costs, and must be reduced when those costs have been paid.

What are environmental mitigation costs?

Environmental mitigation costs to the Utility are costs incurred to reduce our environmental impact both locally and globally. These costs include things such as the increased costs associated with renewable power, energy efficiency programs, and financial incentives to customers to install solar panels on their roofs or costs incurred to satisfy a regulatory or governmental body such as the installation of air scrubbers on a power plant.

Why is the Environmental Mitigation Adjustment proposed at this time?

The City and Utility are committed to reducing our impact on the environment. In order to accomplish this in a cost effective and responsible manner, the Utility is in the process of gradually changing its power supply mix to include more renewable power supply resources such as wind, geothermal and landfill gas generated power. The Utility is projecting that upwards of 20% of its power will come from renewable resources by 2015. The costs of this type of power are typically more expensive than the more traditional fossil fuel based power. In addition to the Utility's renewable power costs, the State has passed and is in the process of implementing AB 32, or the "California Global Warming Solutions Act." This law mandates that, beginning in 2012, California will gradually reduce its carbon emissions to 1990 levels by 2020. One of the tools that will be used to accomplish this will be a market-based "cap and trade" system for emissions. This type of market could be very volatile and will have a significant impact on our ratepayers. In order to minimize the long-term customer impact, this adjustment should be implemented now to gradually and transparently address these types of costs.

Why not just raise base rates?

Base rates are designed to recover long-term costs such as debt service, operations and maintenance, and long-term fixed power purchase contracts. Using an adjustment that smoothly and gradually increases and decreases with the relevant costs in a more real time manner would not only protect the Utility from a financial risk perspective, but it would also offer customers a more measured and gradual impact to their electric bill over time so as to not severely impact their lives with frequent, oftentimes severe, base rate increases.

What ratepayer protections does the Rate Stabilization Adjustment include?

Should the adjustments increase as a result of energy industry volatility, then they are mandated to be reduced back to the normal limit once all costs resulting from the specific prescribed event are recovered.