

FW: Niemeyer Comments on Council Feb 6th Agenda Item 6.1: SJCE Rates and Mix

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To: Agendadesk <Agendadesk@sanjoseca.gov>

From: Victor Niemeyer <[REDACTED]>
Sent: Monday, February 05, 2024 10:19 AM
To: City Clerk <city.clerk@sanjoseca.gov>
Subject: Niemeyer Comments on Council Feb 6th Agenda Item 6.1: SJCE Rates and Mix

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Last month I expressed concern that San Jose Clean Energy (SJCE) would propose a rate increase for 2024, despite having strong operating reserves built up by charging rates 35% above costs for the last two years. A week ago SJCE released a memo doing just that.

The memo is 71 pages long, proposing a complex scheme to raise rates now, and maybe reduce them some unspecified amount mid-year "as needed" to follow PG&E rates. It is not clear whether the projected financial results in the memo for the initial rate, or the two step rate plan. The memo doesn't state the SJCE share of the 7.5% increase in charges to customers (vs the share for PG&E fees), nor the total dollar increase in revenues to be collected. It justifies the rate increase on an expected \$113M increase in costs for "resource adequacy and renewable energy cost accounting" without further discussion. The days of operating reserves presented in Tables 4 and 5 are erroneously based on total costs not operating costs, understating the coverage by 9 days. After extensive discussion of the cost-of-service rate making and operating reserve policies, both are pushed aside in the rate discussion to focus on being competitive with PG&E. I think the council and the public deserve better treatment.

In the defense of the staff, I see the issue is the process and not the people. In my dealings with SJCE senior staff I have been continually impressed with their knowledge, integrity, and dedication to making SJCE a success. But they are stuck in a system that insulates them from external feedback and forces them to present complex high-stakes issues to a Council with many more pressing issues to deal with.

My primary recommendation is that the Council reject the rate increase and leave rates as they are, pending further discussion and documentation of the increase in power costs. We have time to get it right: the proposed increase only affects SJCE's revenues by 3% (the 7.5% increase found on p4 the memo includes a 4.5% increase in fees collected by PG&E), the memo alludes to a mid-year rating reduction anyway, and current reserves are already approaching the CY 24-end values presented in the memo. Also, next week we should be informed by the CY 23 financial results.

My second recommendation is that the Council create a formal and open process for pre-reviewing rate proposals. Releasing a 71 page memo on a complex high-stakes topic a week before seeking approval abuses the Council and the spirit of the Brown Act. The process should include participation of ratepayer interests, large and small, and include the full financial information needed to make reasoned judgments.

My third recommendation is the Council direct a full overhaul of the operating reserve policy. The current policy sets targets too high and is too vague on how it should be implemented. Both should be reconsidered. Currently, operating reserves are already \$200 per San Jose resident, over \$500 per average customer. The revised policy should focus on reserves that are needed to preserve SJCE's financial health in light of realistic assessment of the risks. These risks are much lower now that the Council can now revise rates on 2-week notice in the event of sudden cost increases. The policy should also specify that excess reserves should be returned to ratepayers once reserve targets are achieved.

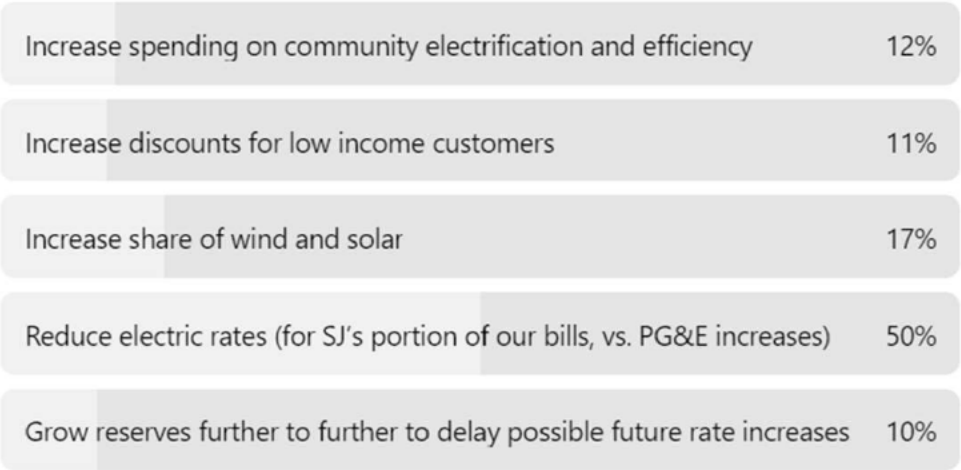
Lastly, I want to note the **lack of ratepayer compassion** in these discussions. It's understandable that SJCE focuses on the financial side of things, but a lot of people are unhappy with rising electric rates. The only formal representation of the ratepayer in the current process is through the Council. The Council has its own opinions, I'm sure, but out of my own curiosity last month I posted an online survey on Nextdoor. As you can see by the results, there is a diverse mix of preferences, but lowering rates was the clear winner. **We should keep in mind that it's not our money we've been talking about.**

Victor Niemeyer

Country Lane • 2 days ago • 🌐

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Over \$200M in reserves now, maybe \$350M by year end (vs \$500M cost total). Staff proposing small rate increase for cost uncertainty. SJ City Council votes in 2 weeks. What would you like to see? (tax law limits spending to electricity uses only). What to do with San Jose Clean Energy's growing cash surplus?



139 votes

Victor Niemeyer

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