PORT OF OAKLAND

5/8/2025

INFORMATIONAL REPORT

<u>PROPOSED ACTION</u>: Informational Report: Proposed Electricity Rate Adjustment for Fiscal Year 2026 for Rate Classes B and D Serving the Oakland International Airport, and Rate Classes A, B, C, E, F, and G Serving the Port of Oakland Seaport.

<u>Submitted By</u>: Andre Basler, Director of Utilities; Kristi McKenney, Executive Director

<u>EXECUTIVE SUMMARY</u>: In 2024, Port of Oakland (Port) Staff completed a comprehensive rate study to assess utility rates, project future expenses, and recommend appropriate adjustments phased in over the next five years, starting in Fiscal Year 2025 (FY25). The increases required for cost recovery were spread over two years to minimize impact to customers.

Port Staff will return to the Board of Port Commissioners (Board) in the future for the Board's consideration of an ordinance update to increase electricity rates by 2-4% for customers at the Port's Maritime area, by 26% for Rate Classes serving customers at Oakland Airport, and increase the vessel commissioning rate from $3,600 to $4,785. In addition, two Rate Classes will see a decrease of 2-3%. These adjustments require amendments to Appendix F – Master Utility Fee Schedule Established by Chapter 10.03, Utility Rates and Charges, in the Port of Oakland Administrative Code.

The adjusted rates will remain significantly lower than those of Pacific Gas & Electric Company (PG&E) and Ava (formerly East Bay Community Energy).

<u>BACKGROUND & ANALYSIS</u>

The Port is a publicly owned utility providing power and electric utility services to over 300 electric service connections within its service territory at the Airport and Seaport. The Port of Oakland is unique in that it operates an airport, a seaport, commercial real estate, and its own public utility.

The Port retained NewGen Strategies and Solutions, LLC (NewGen) to develop the 2024 Cost of Service and Rate Study (Study). The Study determined the total cost of providing electric services, the allocation of cost to the various customer classes, and the design of rates for existing and projected customer classes. The total cost of providing electric services predominately includes expenses for operations and maintenance (O&M), power supply, as well as debt service and capital outlays required to operate and maintain the Port's electric distribution system consistent with good utility practice.

The Port provides electric service to Port facilities, with direct and allocated revenues, expenses, and individual customers. Each area supports its expenses through cost recovery from its customers, including Port electricity usage at both the Airport and the Maritime. The Study includes an analysis of projected revenue requirements by each area, as well as for the combined system (Port Utility), for Fiscal Year (FY) 2025.

Long-term projections (FY 2025-29) include significant investment in capital projects. The Port's financial plan assumes a mix of financing mechanisms to pay for these investments, including capital paid from retained earnings (rates) and debt issuance. The debt service will be paid with revenue from rates recovered from customers within each division. To be able to finance these capital projects, Port Utility will need to increase rates each year over a longer period to ensure the financial stability of the Port and to recover the reasonable cost of providing electric service.

Port Staff implemented the recommended Phase 1 rate increases for Fiscal Year 2025, resulting in an average increase of approximately 26% at the Airport and 13% at the Seaport. The proposed Phase 2 adjustments, previously previewed to the Board, are based on the 2024 Cost of Service and Rate Design Study conducted by NewGen.

For Phase 2 rate adjustment, Port Staff plans to propose ordinance amendments to increase electricity rates by 26% for Rate Class B and D customers and approximately an average 3% for all other rate classes at the Seaport. Additionally, the vessel commissioning rate at the Seaport is set to increase from $3,600 to $4,785. Shore Power and Rate Class A will decrease by an average of 2.5% to align with the cost-of-service study. The Phase 2 rate adjustments are designed to ensure that rates recover the reasonable costs of providing electric service.

Table 1 highlights the Phase 2 Proposed Rate Adjustments as an average across each Rate Class (note: the average rate includes other costs such as meter costs and peak demand charges that vary between rate classes and customers):

Table 1
Proposed Phase 2 Rate Adjustment

Rate Class	Proposed % of Adjustment	Current Average Rate ($/kWh)	Proposed Average Rate ($/kWh)
Airport-B	26%	$0.2673	$0.3368
Airport-D	26%	$0.2191	$0.2761
Seaport-A	-2%	$0.1976	$0.1947
Seaport-B	2%	$0.2015	$0.2055
Seaport-C	4%	$0.2171	$0.2257
Seaport-E	4%	$0.1811	$0.1884
Seaport-F (Shore power)	-3%	$0.2239	$0.2172
Seaport- G (Vessel Commissioning)	32%	$3,600.00	$4,785.00

The vessel commissioning charge is intended to recover the Port’s cost for managing its vessel commissioning program, which requires all vessels calling the Seaport to have been successfully commissioned before connecting to shore power. Commissioning is only required if a ship has not called the Port for an extended period since its previous commissioning or has had changes to its electrical system since its previous commissioning. Port Staff has performed an analysis of the cost the Port has incurred for commissioning for the period FY 2018 through FY 2024 to determine necessary changes to the rate. In six of the subject seven years, the Port has not recovered its cost. Further, as of June 30, 2024, the cumulative loss was approximately $528,400. Port Staff performed a forward-looking analysis to calculate a new rate effective July 1, 2025, that would recover the Port's reasonable cost of service going forward; Port Staff has estimated that a rate of $4,785 per commissioning is adequate to recover the Port's cost through FY 2027. While the rate is anticipated to be stable through FY 2027, future reconciliations may indicate that further adjustment to the rate is necessary.

With these proposed rate changes, it is anticipated that the Port Utility will be able to meet its financial metrics for both its Debt Service Coverage Ratios (DSCR), Days Cash on Hand (DCOH) and maintain a reasonable cash reserve to fund the future Capital Improvement Program as approved by the Port Board of Commissioners. The recommended rate changes allocate cost to provide a fair and reasonable relationship to the regulation of the Port Utility customers, and the rates do not exceed the estimated actual cost of providing the product or service and would reimburse the Port for services and products provided.