


**NOTICE OF WORK MEETING OF THE
CITY COUNCIL OF THE CITY OF ST. GEORGE,
WASHINGTON COUNTY, UTAH**

Public Notice


Public notice is hereby given that the City Council of the City of St. George, Washington County, Utah, will hold a work meeting in the City Council Conference Room at the St. George City Hall located at 61 South Main Street, St. George, Utah, on Thursday, June 4, 2026 commencing at 3:00 p.m.

The agenda for the meeting is as follows:

1. **Discussion regarding the Pretreatment Program.**
2. **Discussion regarding energy wholesale cost adjustment.**
3. **Reports from Mayor, Councilmembers, and City Manager.**
4. **Request a closed meeting to discuss litigation, security, property acquisition or sale, or the character and professional competence or physical or mental health of an individual.**



Christina Fernandez, City Recorder



Date

REASONABLE ACCOMMODATION: The City of St. George will make efforts to provide reasonable accommodations to disabled members of the public in accessing City programs. Please contact the Human Resources office at 435-627-4674, at least 24 hours in advance if you have special needs.



Pretreatment Program



St. George

THE BRIGHTER SIDE

Who the heck are we,
and what's the big deal?

SGRWRF Pretreatment Department



Meet our Team!



Juliette Curtis

Pretreatment Coordinator

- Since September 2016
- From City of Las Vegas



Heidi Mathis

Pretreatment Specialist

- Since August 2022
- From St. George City



Milo Farnsworth

Pretreatment Inspector II

- Since May 2024
- From Washington City



Daxten Ewell

Pretreatment Inspector I

- Since August 2025
- From St. George City

So, why are we here?



01

Our Role

02

Pretreatment Standards

03

Pretreatment Devices

04

Consistency, Ethics & Non-Bias

05

How can we help each other?

06

Conclusion & Questions

Who is Pretreatment, what do they do, and why does it matter?

Who is Pretreatment?

In the world of wastewater, "Pretreatment" refers to the Industrial Pretreatment Program.

The Regulated: All industrial and commercial users that discharge non-domestic waste into the sanitary sewer system, or POTW.

The Authority:

The EPA delegates primacy to the States.



The States then allow the Cities local control, or autonomy, to run their systems and programs.



Any deviation from requirements that impact our Publicly Owned Treatment Works or violate a Pretreatment Standard can be escalated to the State and or EPA, triggering fines and/or penalties.

What does Pretreatment do?

Our job is to ensure that "source control" happens before the wastewater ever reaches the collection lines or treatment plant.

Evaluating

Setting Local Limits

Inspecting

Monitoring & Sampling

Permitting

Enforcement

In simplest terms: We set rules, everyone plays by the rules, and they comply before it escalates to the State or Federal level.

Why does it matter anyway?

Pretreatment is the first line of defense for the entire city's environmental health. Without it, the treatment plant would fail.

Protecting the "Good Bugs"

Preventing "Pass-Through"

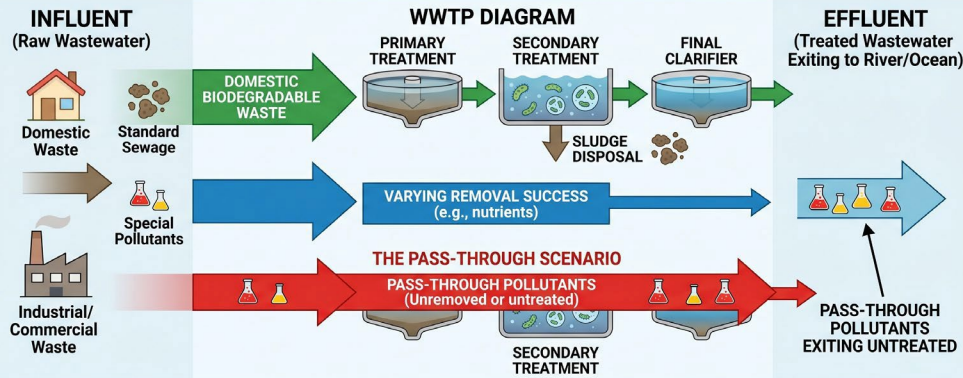
Preventing "Interference"

Infrastructure Safety

Operator & Worker Safety

Public Health & Safety

UNDERSTANDING PASS-THROUGH IN WASTEWATER TREATMENT



? **What is Pass-Through?** Pollutants entering the plant that are not treated/removed and exit with the effluent.

⚙️ **Common Causes:** Non-biodegradable chemicals, industrial compounds, pharmaceuticals, heavy metals.

! **Consequence:** These pollutants enter the environment, potentially causing harm to ecosystems and wildlife.

Pass-Through:

A pollutant that exits the treatment plant and enters the Virgin River because the plant wasn't designed to remove it.

Imagine putting food coloring into a standard coffee filter. The coffee grounds (solids) stay in the filter, but the color (the chemical) "passes through" and stains the water in the pot.

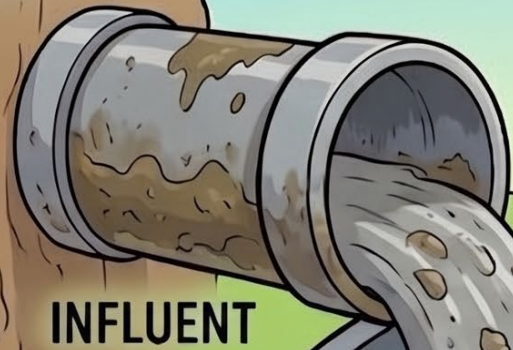
Can you give me some examples?

The "Heavy Metal" River:

- A Commercial or Industrial facility uses solvents or dyes containing Mercury or Lead.
- The SGRWRF is designed to treat domestic waste, not commercial or industrial waste. These metals "ghost" right through the filters and biological process. They end up in the Virgin River, where they are absorbed by fish, eventually making their way into the human food chain. This is known as "bioaccumulation" and happens more often than you think when wastewater is not properly treated.

What is "Pass-through" exactly?

Pass-Through

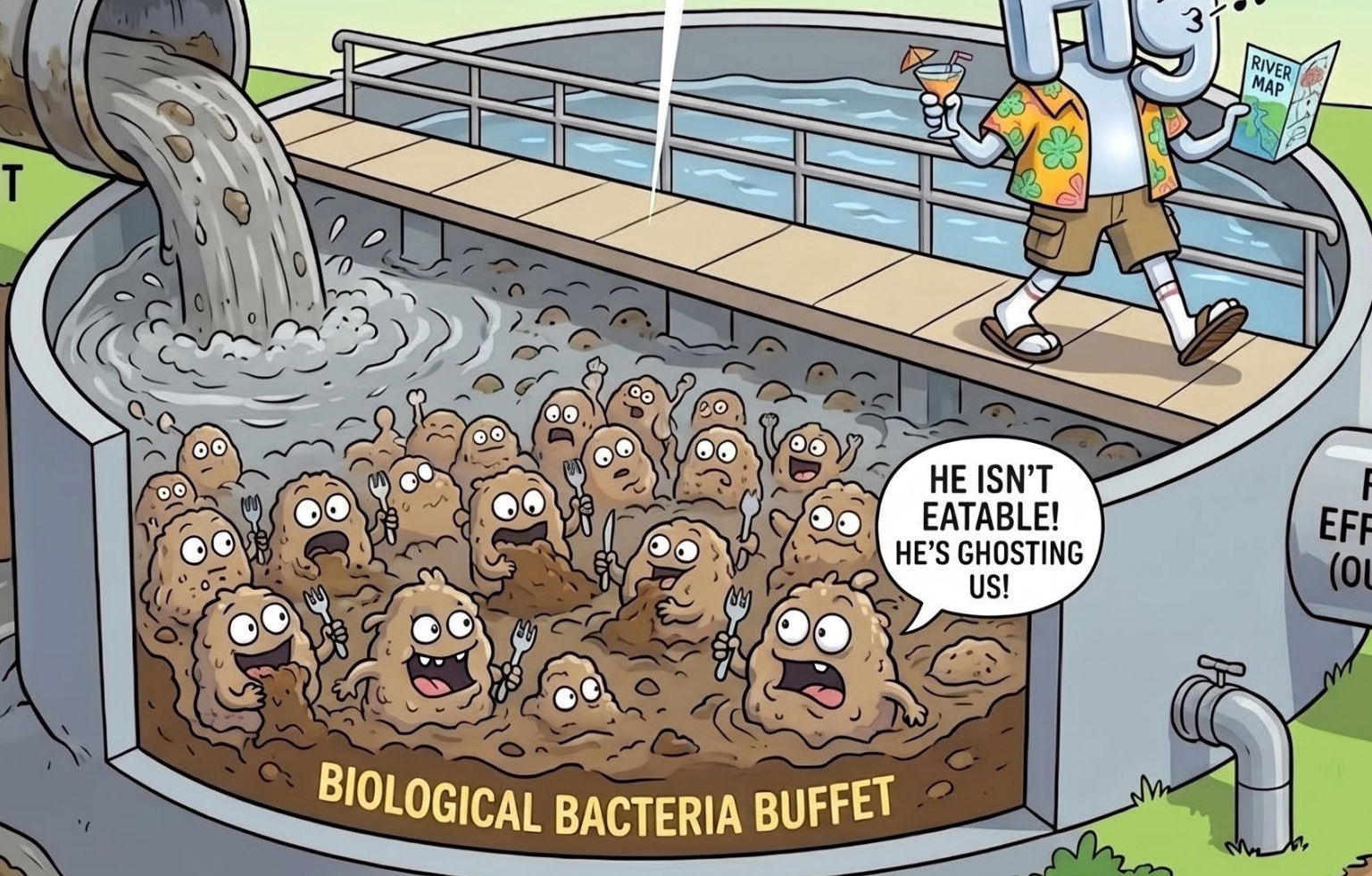


INFLUENT

Wait! Did you check that guy? Is he on the menu?!

Just passing through!
Nice filters, guys,
real 'chic'.

The pollutant that
ghosts your
wastewater plant!



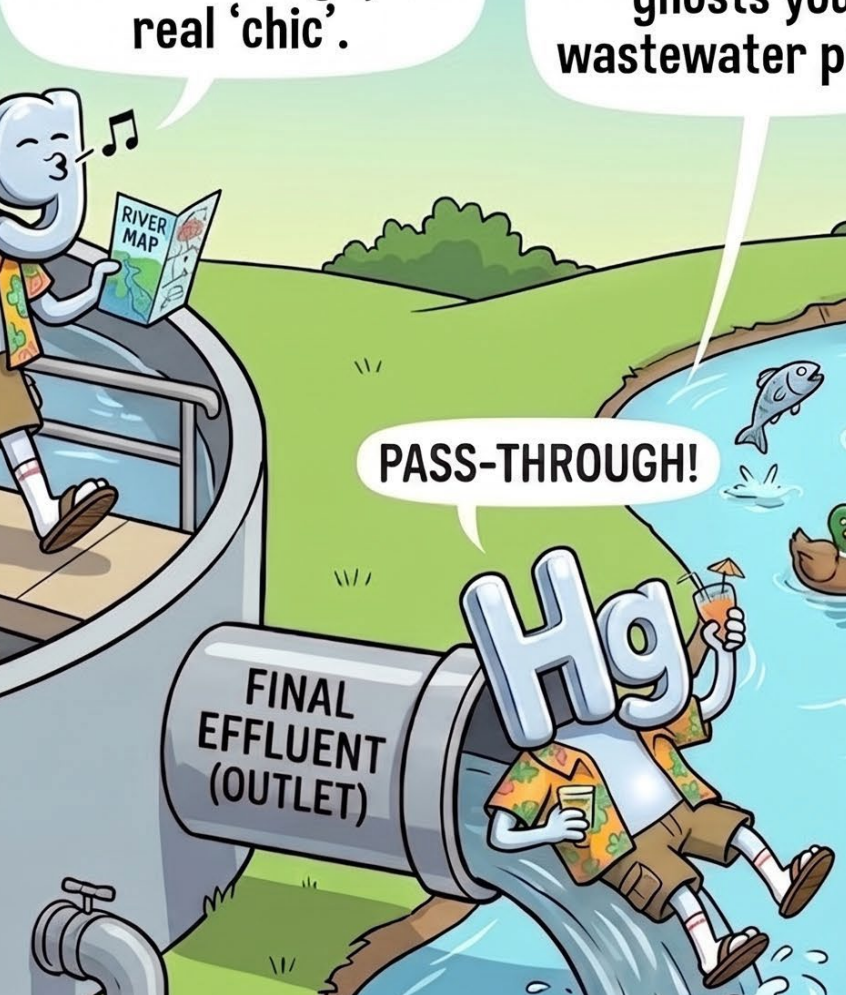
BIOLOGICAL BACTERIA BUFFET

AERATION TANK

HE ISN'T
EATABLE!
HE'S GHOSTING
US!

FINAL
EFFLUENT
(OUTLET)

PASS-THROUGH!



Virgin River

So, what is “Interference” then?



Interference:

A discharge that disrupts or inhibits the treatment plant's processes, operations, or its ability to manage sludge.

Imagine you have a stomach virus. Your "system" stops working correctly, you can't process food, and you get sick. Interference is a "sickness" for the wastewater plant.

Can you give me some examples?

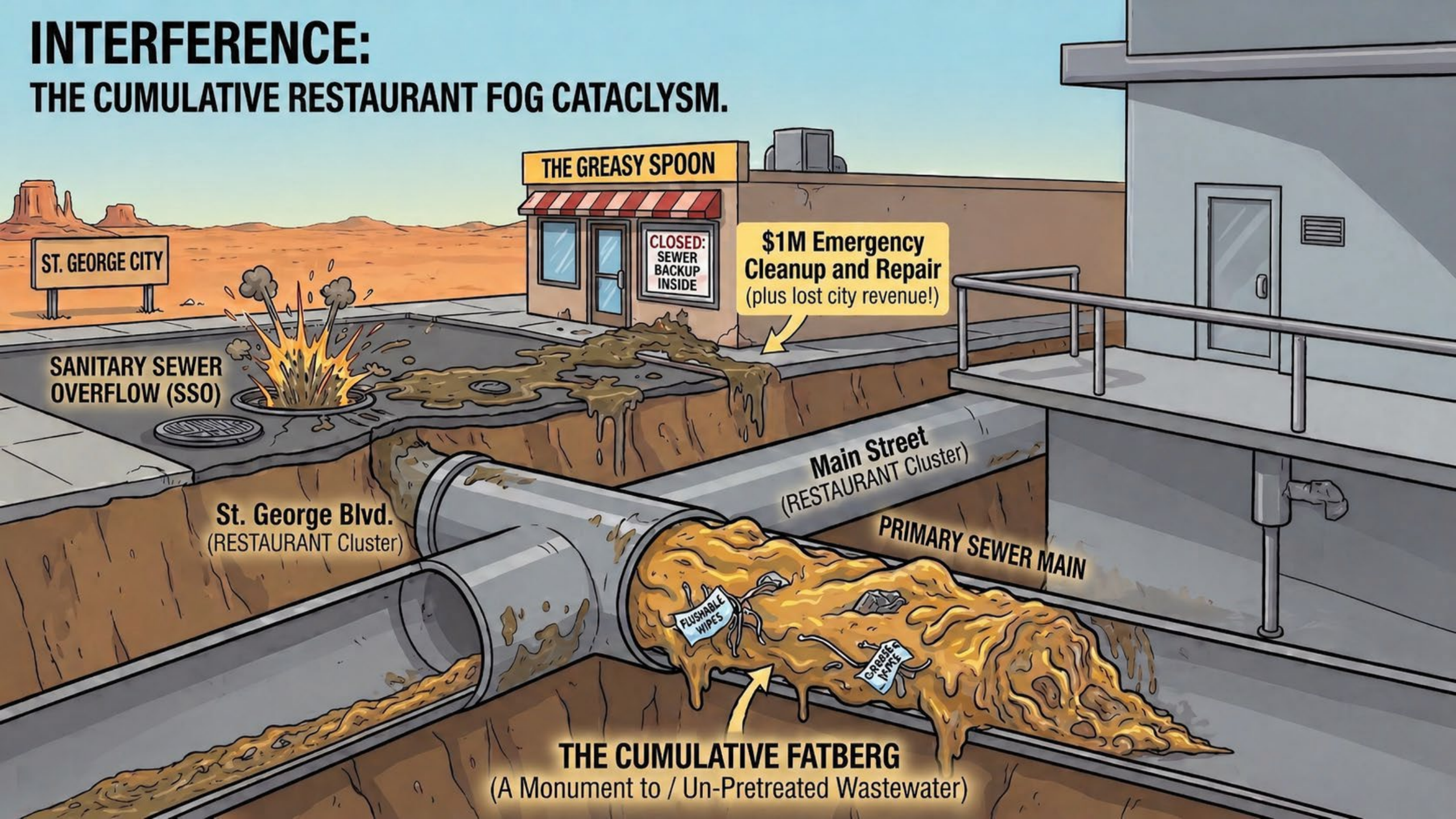
The “Bacteria Massacre”:

- A local electroplating shop accidentally dumps a vat of concentrated cyanide or heavy metals into the sewer.

The "Fatberg" Clog (Physical Interference in a Sanitary Sewer Line):

- Multiple fast-food restaurants on St. George Blvd. haven't been maintaining their grease traps or interceptors, sending fats, oils and grease down the drain.

INTERFERENCE: THE CUMULATIVE RESTAURANT FOG CATAclySM.



ST. GEORGE CITY

THE GREASY SPOON

CLOSED:
SEWER
BACKUP
INSIDE

\$1M Emergency
Cleanup and Repair
(plus lost city revenue!)

SANITARY SEWER
OVERFLOW (SSO)

St. George Blvd.
(RESTAURANT Cluster)

Main Street
(RESTAURANT Cluster)

PRIMARY SEWER MAIN

FLUSHABLE
WIPES

GREASIER
WIPES

THE CUMULATIVE FATBERG
(A Monument to / Un-Pretreated Wastewater)

Required treatment for all
industrial users...the

Grease Interceptor



City Code does not allow grease traps and requires the installation of a gravity grease interceptor with a minimum size requirement of 1,000-gallons. This sizing requirement is comparable to most Utah Pretreatment Programs. Our Program follows the 25% capacity allowance rule that serves as a simple way to monitor the loading and effectiveness of an interceptor's performance. This rule is a standard practice across the country and has been a great way to keep compliance consistent as well as maintainable and transparent.

For St. George and our Program, overseeing all of the surrounding Cities, the 25% capacity rule has been the most efficient and effective tool for measuring compliance.

Grease Traps and the issues we are facing...



Grease traps are only reliable when maintained, and because of their size, need regular cleanings. The majority of pass-through from fats, oils and grease stem from unmaintained, undersized or failing grease traps.

The photos you see above are from sewer lines that service the Main Street area. These lines need to be cleaned regularly by our Collections Crew. Unmaintained or failing grease traps create recurring grease blockages in the sewer system, forcing the City to use taxpayer-funded resources for ongoing cleanup. In effect, the public is subsidizing preventable private maintenance failures.

(*For reference, the average sewer line is cleaned every 2 years. The above lines have to be cleaned monthly to remove the continuous grease build-up. This requires 6 “runs” of cleaning at 300-ft per run. That’s 1,800-ft of sewer pipe!)



It's all good, until it isn't...



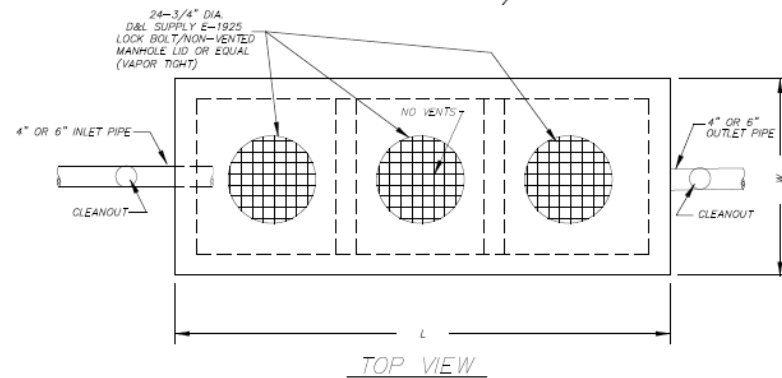
These photos were taken in 2017, and 2019, of a parking lot at a facility that had an unmaintained and undersized grease trap. After several inspections, lots of documentation and concerns from citizens, we were able to implement a Compliance Order and require the removal of the grease trap, with the installation of a properly sized grease interceptor. Since the install, we have had great success in avoiding an SSO backups at this location.



Grease Interceptor

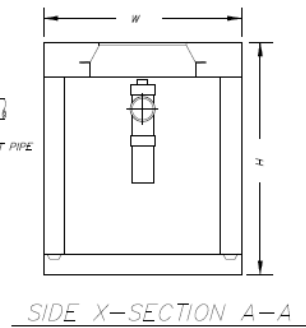
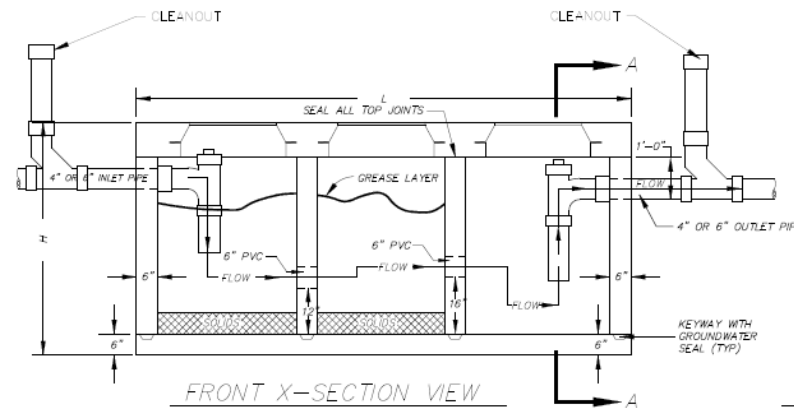


SAINT GEORGE REGION STANDARD GREASE/SAND INTERCEPTOR



NOTES:

- 1- MATERIAL SPEC'S:
 - A. CONCRETE PORTLAND CEMENT TYPE II, MINIMUM COMPRESSIVE STRENGTH-3000 PSI AT 28 DAYS.
 - B. REINFORCING BAR INTERMEDIATE GRADE ASTM A615.
 - C. REINFORCING WELDED WIRE MESH ASTM A185
- 2- UNIT COATED OUTSIDE WITH AN APPROVED PROTECTIVE COATING.
- 3- ALL DIMENSIONS L, H, & W DEPENDANT ON TANK CAPACITY AND MANUFACTURE. MINIMUM TANK SIZE SHALL BE 1000 GALLON
- 4- PRECAST UNIT TO BE PLACED ON NATURAL SOIL OR APPROVED COMPACTED FILL.
- 5- STANDARD GROUND WATER SEAL- BUTYL ROPE MASTIC OR CEMENT MORTAR.
- 6- PRIOR TO BACKFILLING, INTERCEPTOR SHALL BE TESTED. TANK SHALL BE EXPOSED ON ALL SIDES AND FILLED WITH WATER AND SHALL HOLD WATER FOR A MINIMUM TEST PERIOD OF TWO HOURS.
- 7- CLEANOUT SIZE TO MATCH INLET/OUTLET SIZE.



So, what about this Grease Interceptor?

- Very high solids and grease capacity (1,000+ gallons).
- Long-term reliability for heavy-duty, high-flow scenarios.
- Installed outdoors. (No indoor odors during routine cleanings & preferred by the Health Department.)
- If a facility installs a 1,000-gallon gravity grease interceptor that meets the standard and later closes, a new business can use the existing device, even if they generate greater flow or volume, with an increased pumping schedule.
- A common planning range in practice is about 20-30+ years (although we have seen longer life spans with good maintenance practices)
- When serviced properly and subjected to Best Management Practices
- We know a grease interceptor has reached the end of its life when we can observe:
 - internal corrosion from hydrogen sulfide/sulfuric acid
 - cracking, settlement, or traffic loading
 - failed baffles
 - leakage / watertightness issues

Ethics and Consistency in Pretreatment (The facts)

Business Type	Impact of Consistent Application	Risk of Inconsistency
Food Service Establishment	Interceptor captures FOG & solids.	Claims of favoritism; increased SSOs; causes interference & pass-through; fines and/or penalties can be assessed to the City by State and/or Federal oversight if a pretreatment standard is violated.
Automotive/Carwash/Etc.	Interceptor captures heavy solids and hydrocarbons including dirt, sand, grit, petroleum, oils, grease and fats.	Claims of favoritism; Health & safety risks to workers downstream; causes interference & pass-through; fines and/or penalties can be assessed to the City by State and/or Federal oversight if a pretreatment standard is violated.
Significant Industrial User/Categorical Industrial User	Pretreatment measures treat pollutants such as heavy metals, high organic loads, cyanide, toxic organics and pollutants with extreme pH or high temperatures.	Immediate violation of 40 CFR and the Clean Water Act; causes interference & pass-through; fines and/or penalties will be assessed to the City by State and/or Federal oversight if pretreatment is not implemented.

Ok, lets run some numbers. What is the reality of our day-to-day operations?

How many facilities do we have and what do we do?

- The SGRWRF Pretreatment Department currently regulates 900+ Industrial Users. These include facilities with grease interceptors, grease traps, mud boxes, sand/oil interceptors and facilities that do not discharge process water to the sanitary sewer but are still regulated through Best Management Practices. All non-permitted industrial users are inspected bi-annually.
- 5 Discharge Permittees. (Inspected and sampled annually.)
- 6 Zero Discharge Permittees. (Inspected annually.)
- 88+ food trucks. (Inspected annually.)
- 90+ Dental Facilities. Our staff is responsible for monitoring these facilities to ensure compliance.
- Control authority for St. George City, Washington City, Ivins & Santa Clara.
- Business license approvals and development and building plan reviews for St. George, Washington City, Santa Clara and Ivins.



WHAT IS THE
DESIRED OUTCOME
AND HOW CAN WE
SUPPORT EACH OTHER

- SHARED GOALS FOR THE COMMUNITY
- EFFICIENT RESOURCE USE
- OPEN COMMUNICATION CHANNELS
- MUTUAL SUPPORT IN INITIATIVES

JULIETTE
PLAANHOUER

CITY COUNCIL
COMMUNITY COLLABORATION

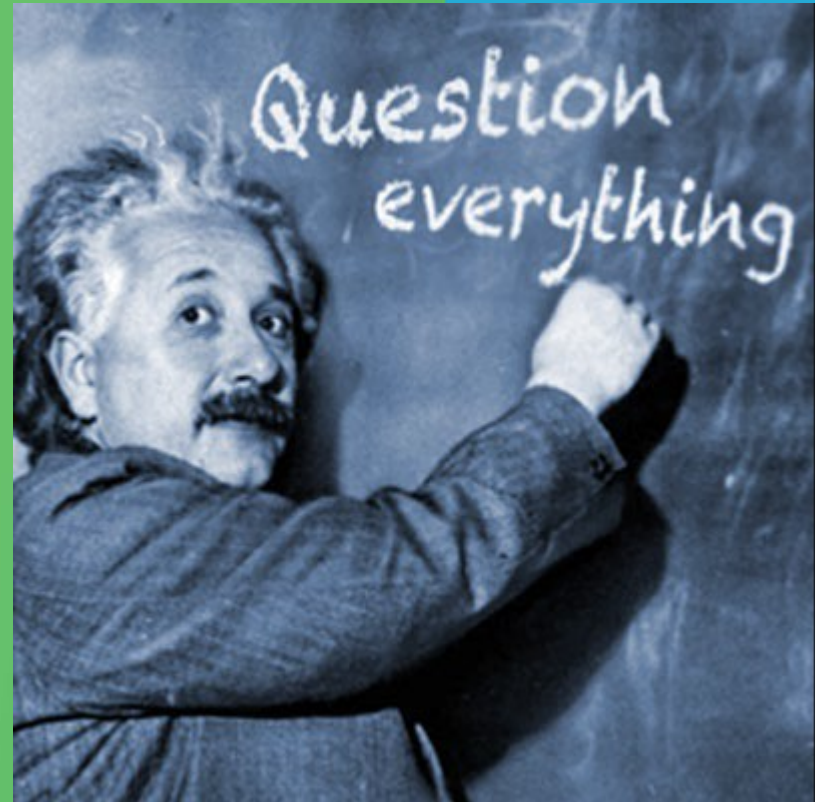


Juliette Curtis

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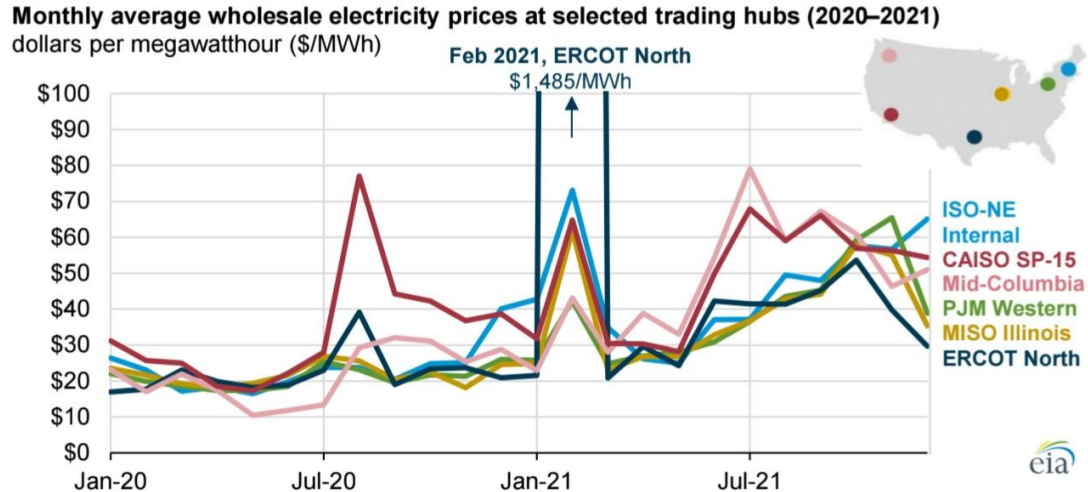


Power Cost Adjustment

PCA Rider

Wholesale power costs are variable. While we use modeling to forecast likely costs for the upcoming budget year, market conditions and extreme weather events can cause actual costs to differ from budgeted amounts. *A Power Cost Adjustment (PCA) is a rider to the rate policy that is meant to protect the utility from market volatility by recovering the difference in budgeted vs actual costs.* It appears as a separate line on a customer's bill and can be either a charge or a credit to the customer.

Power Supply: Volatility



How it works:

$$\frac{(\text{Actual power cost} - \text{Budgeted Power Cost})}{\text{kWh billed in the month}}$$

$$\text{PCA} = (A-B)/K$$

This creates a PCA corresponding to a specific month. The PCA that will be charged to customers is based on the average of the 12 previous months - this is done to decrease any dramatic spikes from extreme events.

Sign convention

- If the PCA Rate is positive, it operates as a surcharge.
- If the PCA Rate is negative, it operates as a credit.

Why the rolling method matters

- The 12-month lookback dampens short-term swings.
- The short administrative lag lets staff use closed, reconciled data instead of forecasting current-month actual cost.

Guiding Principles of the PCA Design:

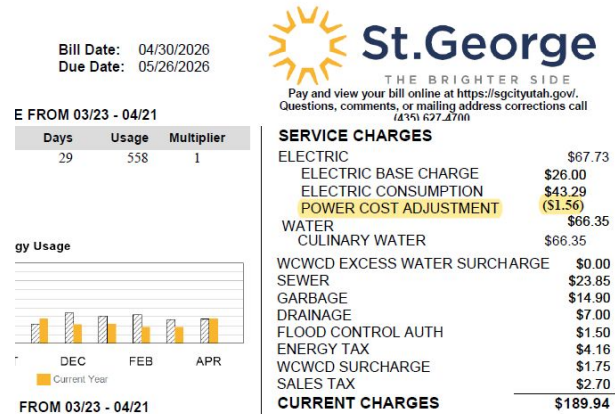
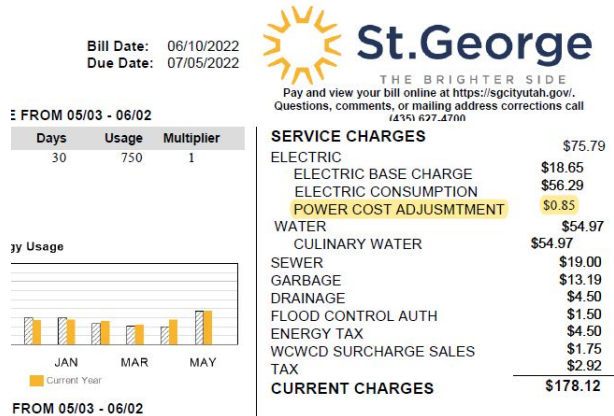
- Protect the customers from wild fluctuations and price shock
- Protect the utility & ensure financial security

What does the PCA do?

Allows the utility to pass on changes in power supply costs without a rate adjustment.

- When power supply costs come in below the budgeted amount, the savings are passed to customers
- When power supply costs exceed anticipated amounts, the cost is passed to customers

Below are sample bills for the same residential customer if a PCA had been in place at the time of these bills.



Why Implement a PCA?

Heavily recommended by S&P

Public Power Utilities tend to hold off on rate changes far too often. This can leave a public power utility in a marginal place when wholesale market events occur and is one reason S&P has given the industry as a whole a negative outlook.

A PCA is an *automatic recovery method* for variable wholesale costs that does not require a complete rate adjustment.

Creates protection for the utility in case of large price swings by ensuring cost recovery on our most variable cost - wholesale power market purchases.

If we do nothing?

- Likely that our Bond Rating will stay downgraded
- Possible downgrade to our 'outlook' as well
- Higher costs for borrowing money

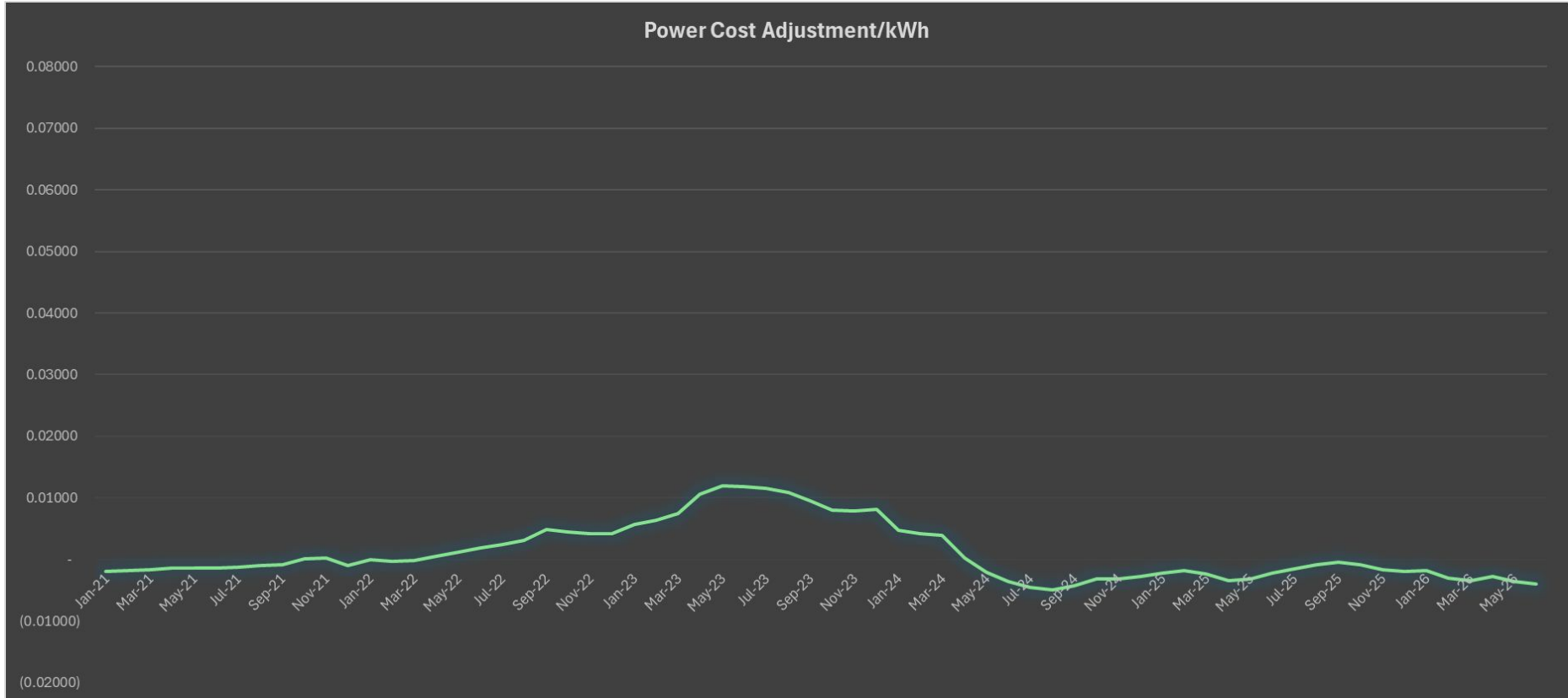
Becoming Industry Standard

Many public power utilities have adopted a PCA including:

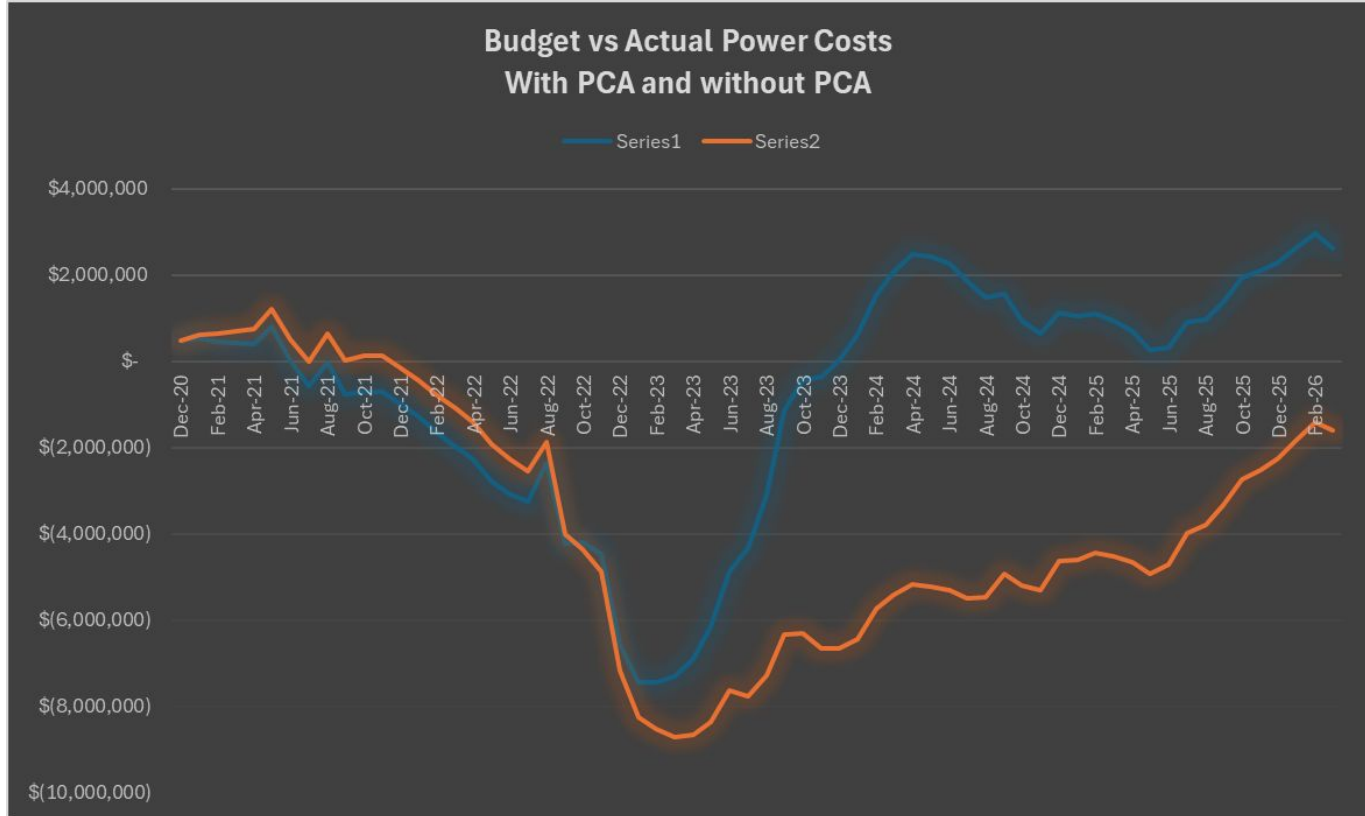
- Dixie Power
- Washington City
- Santa Clara City
- Rocky Mountain Power
- Logan City
- Many More

What does this look like for customers?

Chart below shows what the PCA rate would have been if it had been in place.



How does a PCA aid recovery after an extreme market event?



Recovery for '22 incident would have been complete in ~ 14 Months if a PCA had been in place.

Questions and Thoughts?

Power Cost Adjustment (PCA) –Brief for Council

Power cost adjustment (PCA) is a rate rider that helps to mitigate the risk of the energy market. It is a mechanism that has been in place since the early 2000's nationwide. Most utilities in our local area have adopted PCAs.

St. George Energy Services (SGES) does not currently use a PCA, as our rate setting process is more detailed than many smaller utilities and accounts for some volatility in wholesale power costs. However, we are encouraged to adopt this by our bond rating agency S&P to further fortify the utility against the risk present in the wholesale energy market.

SGES mitigates a lot of this risk by having our own generation and entering into long term power purchase agreements (PPA). We aim to have >15% of our energy purchases exposed to the market. That 15% is affected by weather, resource availability, and demand from other utilities across the west and northwest. This means that the price for energy market purchases can vary quite a bit. The purpose of a PCA is to automatically adjust according to changes in the energy market, keeping our revenues in line with expenses.

While we do calculate for this variability with our current rate design process, the merit of including a PCA is shown during extreme market events. For example, in September of 2022 a variety of factors caused power costs to jump over 1,000% in some hours. Other market conditions contributed to power costs being similarly high in Dec of 2022 and Jan of 2023. The cumulative effect of these market conditions was that our power costs over these five months exceeded our budgeted amount by approximately \$7,000,000, far exceeding the discrepancies anticipated in our rate design. Our modeling tends to find our actual costs within a few hundred thousand dollars, plus or minus, of our budget.

While we proceeded with a rate adjustment in March 2023 and the utility is in good financial condition, S&P, like many rating agencies, like to see a PCA in place so that cost recovery starts automatically rather than waiting on formal rate adjustments. A PCA is a separate charge or credit on a customer's bill that adds a surcharge when the utility's wholesale power costs exceed the budgeted amount and provides a credit with the utility's wholesale power costs are below the budgeted amount.

This PCA would provide financial stability in the event of another extreme energy market event and increase the utility's bond rating. A PCA protects the city from unexpected price shocks and benefits the customers when the utility benefits from favorable market conditions. If adopted, Energy and Utility Billing will finalize the technical aspects of getting the PCA listed on the power bills and are estimated to start the PCA in the first quarter of the next fiscal year.

The documents that are along with this whitepaper are the "Rider PCA" the actual formula and operations of the PCA and "Policy 5.15 Risk Management Policies" this is an existing policy with updates to reference the adopted PCA.

The following pages contain more bullet point info on the PCA. Please reach out with any clarifying questions or any other information you would like to have for the work meeting discussion.

What it does: Keeps bills aligned with actual wholesale power costs by adding a small monthly per-kWh factor on customer bills. The factor can be positive (surcharge) or negative (credit).

How it's calculated (plain English)

- $PCA = (A_{ref} - B) / kWh \text{ billed in the month}$
- Start with the most recent month of actual power costs per kWh (A_{ref}).
- Compare it to the budgeted costs per kWh (B)
- The difference (+/-) is divided over the number of kWh's sold in the month to create that month's adjustment amount
- The PCA is kept on a 12 month rolling average to smooth out peaks and reduce price shock to customers

Timing

- Calculated monthly.
- Uses a two-month lag so numbers are final (e.g., January costs appear on April bills).
- Rounded to five decimals and shown on bills as "Power Cost Adjustment (PCA): \$0.xxxxx/kWh."

Oversight and transparency

- No monthly Council action needed: the Director files a PCA Certificate; the factor takes effect automatically the next month.
- Publish PCA factor, and a 12-month history on the City website; annual audit and regular reports to Council.

Reserves relationship

- The Reserve/Rate Stabilization Fund is for crises and liquidity; it should not be used to suppress the PCA.
- Council may commit a portion of reserves as a liquidity backstop for large positive PCA balances.

Why this helps credit quality

- Automatic monthly updates show timely cost recovery and reduce the need for ad-hoc rate actions.
- Clear formula, tight cost scope, and transparent reporting align with rating-agency expectations.

SUBJECT: Risk Management Policies

POLICY NO: 5.15 APPROVED BY: City Council

EFFECTIVE DATE: 05/01/2013 ; Revised: [Insert Adoption Date]

METHOD OF APPROVAL: City Council

POLICY

It shall be the policy of the City of St. George to act in accordance with the following guidelines in order to reduce power market financial risk and reduce operational reliability risk in the Energy Services Department.

SECTION I: PURPOSE AND OBJECTIVE

- 1.1 The City's primary goal is to maintain financially sustainable electric rates that absorb inflationary cost pressures and preserve long-term reliability.
- 1.2 The Energy Services Department shall actively evaluate the use of financial hedging to reduce RAR.
- 1.3 To mitigate operation risk by reviewing critical operations and providing necessary back-ups to avoid associated risk.

SECTION II: PROCEDURES AND RESPONSIBILITIES

- 2.1 Electric rate tariffs, including Rider PCA, shall be adopted to meet budgeted revenue requirements and to maintain a cash reserve fund consistent with targets prescribed by financial and risk models.
- 2.2 The Energy Services Director (ESD), or designee, shall prepare monthly load and resource forecasts using weather-normalized historical data as a basis for the estimate.
- 2.3 The ESD, or designee, shall perform transactions in the day-ahead and real-time markets as permitted and in accordance with this policy.
- 2.4 All payments, expenses, receipts, and income realized by the City as a result of transactions made under this policy shall be accounted for within the City's Electric Utility Enterprise Fund as operating activity and costs of purchased electric power and energy, and shall not constitute a general obligation liability or indebtedness of the City under Utah law. The Electric Utility Enterprise Fund will operate as a separate business-type activity and will transfer funds to the City's General Fund for overhead and operational services provided to the Utility, consistent with the City's cost allocation and financial policies.
- 2.5 The ESD, or designee, shall enter into day-ahead and real-time transactions only to the extent such activities are consistent with prudent short-term operation of the system and its power supply requirements and resources. Only existing and reasonably forecasted loads and resources will be the basis for transactions.
- 2.6 The billable PCA factor and customer billing mechanics are governed by the City's adopted Rider PCA.

- 2.7 The Energy Services Department shall pursue resource development, long-term purchases, short-term purchases, and sale transactions that support the primary goal and efficiently minimize year-to-year rate variations and changes in cash reserve percentages.
- 2.8 The Energy Services Department shall annually update the projected performance of its current and planned resource transactions with load growth and operating risks, to maintain a Reserve at Risk (RAR), based on industry-standard calculation, of no less than 12.5% of annual operating revenues.
- a) **Reserve at Risk (RAR)** is a risk-model-based reserve adequacy metric intended to cover probabilistic market and operational downside exposure. **Days Cash on Hand** is a liquidity metric intended to ensure the Utility can meet near-term operating obligations (excluding capital) and is tracked separately.
- 2.9 The Energy Services Department shall evaluate the impact of each new transaction or resource decision having a duration of more than three months or affecting more than 30,000 MWh of energy using risk analysis software tools and documented assumptions. No such transaction/resource decision will be executed without documented review of key risk factors, including (at minimum) market/price risk, volumetric/load risk, operational risk, and counterparty credit risk..
- 2.10 The Energy Services Department model and model inputs for estimating RAR shall be reviewed as needed but no less often than quarterly, and shall be reviewed periodically by a third-party consultant or peer utility, at least once every three (3) years, or more frequently as needed following material portfolio changes, significant market events, or major model revisions.
- 2.11 The Energy Services Department financial planning and risk evaluation shall incorporate the Utility's multi-year capital improvement plan, including renewal and replacement needs. As a general guideline, the City will plan for sustained capital investment levels consistent with maintaining system condition over time (e.g., trending toward annual depreciation over the long term), recognizing that annual capital spending may vary due to project timing and growth needs. Long-lived capital projects may be funded through a combination of rates, reserves, impact/connection fees, and/or debt, as appropriate.

SECTION III: POWER RESOURCE GROUP

- 3.1 The Energy Services Power Resource Group is designated as the City's Power Exchange Representatives for purposes of making transactions and shall have daily responsibility for supervising the risk management activities of the City Energy Services Department.
- 3.2 The Power Resource Group is authorized to enter into power market and risk management transactions within the day-ahead and real-time markets with an aggregate notional value not exceeding \$5,000,000 per month. Any single transaction that creates an obligation greater than \$2,500,000 must be approved by the City Council.

- 3.3 Any single transaction over \$150,000 must be approved by the Energy Services Director.
- 3.4 The Energy Services Director shall report no less frequently than monthly to the City Managers office on the state of revenues, expenses, future risk, and projected PCA impacts.
- 3.5 The Energy Services Director shall report monthly to the City Manager's Office on utility financial performance, forward risk, and projected PCA impacts.
- 3.6 The Power Resource Group will meet bi-weekly to review current transactions and forecasted resource data for compliance with this policy and procedures.
- 3.7 The Power Resource Group will prepare annual forecasts using the best available forecast software and models.
- 3.8 An annual statistical risk analysis will be used to evaluate probable situations and total exposure of reserves. A cash flow will also be prepared using the data from the forecast and risk analysis.
- 3.9 The Resource Group will prepare and review three-month-ahead forecasts using results of the analysis to set the following limits: (a) forecasted loads are covered by contracted or pre-purchased resources to within 90% for all hours with no more than 10% exposed to spot market; (b) forecasted resources are priced to achieve policy objectives and in line with cash flows; (c) an adequate reservation of internal generation is maintained; (d) all contract resources are optimized to provide the best overall cost per MWh.
- 3.10 Use of any risk management activities and instruments for the purpose of speculating on future prices or trading solely to generate profits is prohibited. No officer or employee of the City shall directly or indirectly own or trade, for personal account, any risk management or financial contract relating to electric power and energy.
- 3.11 The Energy Services Department shall periodically evaluate risks associated with continuity of retail service and determine key equipment inventory and/or inventory sharing arrangements with neighboring utility systems. Spare parts for SCADA, generation, or other critical equipment will be maintained as determined in accordance with the Risk Management Procedures.

SECTION IV: POWER COST ADJUSTMENT (PCA)

4.1 Purpose and Applicability

The PCA provides a uniform \$/kWh factor applied to retail electric bills to recover the difference between the Budgeted Power Cost embedded in rates and the City's actual variable wholesale power cost. The PCA applies to all retail schedules unless a schedule explicitly states otherwise.

4.2 Purpose and Applicability

The PCA mechanism shall be implemented through the City's adopted Rider PCA within the electric rate schedules.

4.3 Definitions (all dollar components stated in \$/kWh unless otherwise noted)

- A_{ref} (Actual Power Cost, \$/kWh): Net wholesale power supply cost for the most recent available twelve (12) closed billing months, divided by total retail kWh billed over the same twelve (12) closed billing months. Net wholesale power supply cost includes the cost components listed as “Included” in Section 6.
- B (Budgeted Power Cost, \$/kWh): Wholesale power cost per kWh embedded in current retail rates.
- PCA_t (\$/kWh): PCA factor for the month.
- PCA_C : PCA factor applied to billed energy

4.4 PCA Formula and Sign Convention

The calculation of the billable Power Cost Adjustment (PCA) factor—including the calculation methodology and formula, sign convention (surcharge/credit), timing/implementation lag, rounding, costs included and excluded, and other billing mechanics—shall be governed exclusively by the City’s adopted Rider PCA within the electric rate schedules. This policy retains definitions and governance requirements to ensure consistent administration and oversight of the PCA. In the event of any conflict between this policy and Rider PCA regarding calculation or billing mechanics, Rider PCA controls.

4.5 Frequency, Timing, and Rounding

Frequency, timing/lag, and rounding requirements for the billable PCA factor are specified in Rider PCA.

4.6 Costs Included and Excluded

- Included: Energy, capacity, transmission, ancillary services, variable fuel, realized hedge settlements, wholesale admin charges tied to power supply, compliance costs, less credits from surplus/off-system sales and similar revenues.
- Excluded: Distribution O&M, customer service, general admin/overhead, capital, depreciation, interest, and other controllable costs unrelated to wholesale power.

4.7 Governance, Delegation, and Filing

- Governance: The Energy Services Director, or designee, is authorized to compute PCA monthly and file a PCA Certificate with the City Finance Director by 5:00 p.m. two business days before the first calendar day of the effective month.
- Automatic Effect: The PCA factor takes effect automatically on the first day of the effective month without further legislative action.
- Transparency: PCA_t and a 12-month PCA_c history on the City website.

4.8 Customer-Impact Communication Threshold

If the projected monthly bill impact is estimated to be excessive. Energy Services staff shall notify the Council and publish a customer notice explaining drivers and expected duration.

Timely notice shall be provided to support financial oversight and accounting controls; however, prior approval is not required.

4.9 Error Corrections

Any calculation error will be corrected prospectively through the next PCA_c .

4.10 Linkage to Reserve Fund

The Reserve Fund is primarily for crisis conditions, wholesale market shocks, and collateral posting; it may buffer short-term volatility but shall not be used to hold rates artificially low in lieu of applying the PCA factor. Transfers between the Operating Fund and Reserve Fund operate in conjunction with— not in place of— the monthly PCA.

4.11 Relationship to Rate Schedules

Implementation: The PCA mechanism shall be implemented through Rider PCA in the City's electric rate schedules. Rider PCA mirrors the formula, definitions, balancing account mechanics, and timing in this Section.

4.12 Cross References

Rider PCA is the sole tariff authority for the PCA factor applied to bills. Policy 5.15 Section IV governs the posting equation, carrying-charge basis, audit and reporting, delegation and filing deadline, transparency requirements, the customer-impact communication threshold, and reserve-fund linkage.

4.13 Administrative Procedures (Director Level)

Close calendar, data sources, separation of duties, certificate form, and public postings shall be maintained by administrative procedure consistent with this Section and Rider PCA.

Rider PCA – Power Cost Adjustment

1. Applicability and Purpose

Applicable to all retail electric rate schedules unless a schedule explicitly states otherwise. Purpose: recover the difference between actual variable wholesale power costs and the Budgeted Power Cost embedded in rates, via a transparent, formulaic, monthly factor added to billed energy (kWh). This Rider implements the Power Cost Adjustment (PCA) mechanism referenced in Policy 5.15, Section IV.

2. Definitions

- A_{ref} (Actual Power Cost, \$/kWh): Net wholesale power supply cost for the most recent available twelve (12) closed billing months, divided by total retail kWh billed over the same twelve (12) closed billing months. Net wholesale power supply cost includes the cost components listed as “Included” in Section 5, net of applicable credits (including credits from surplus/off-system sales and similar revenues).
- B (Budgeted Power Cost, \$/kWh): Wholesale power cost per kWh embedded in current retail rates.
- PCA_t (\$/kWh): PCA factor for the month.
- PCA_c : PCA factor applied to billed energy

3. Formula

$PCA_t = (A_{ref} - B) / \text{kWh billed in the month}$

$PCA_c = \text{rolling average of the } PCA_t \text{ charge of the 12 most recent months}$

4. Frequency and Timing

- Monthly calculation; implementation lag: The PCA factor shall be calculated monthly and applied to bills beginning the first calendar day of the effective month, using the most recent available twelve (12) closed billing months of cost and billing data, applied with an administrative lag of approximately two (2) months to allow for data finalization and review.
- Rounding and bill presentation: PCA_t rounded to nearest \$0.00001/kWh and displayed as a separate line item on customer bills as determined by utility billing.

5. Costs Included and Excluded

- Included: Energy, capacity, transmission, ancillary services, variable fuel/O&M, realized hedge settlements, wholesale admin charges tied to power supply, market/compliance costs, less credits from surplus/off-system sales.
- Excluded: Distribution O&M, customer service, general admin/overhead, capital, depreciation, interest, and other controllable costs unrelated to wholesale power.

6. Administration

- The Energy Services Director, or designee, shall compute PCA_t monthly and file a PCA Certificate with the City Finance Director by 5:00 p.m. two business days before the first calendar day of the effective month.
- True-Up (C_t) amortization guardrails: The default amortization window for C_t should be twelve (12) months. If the PCBA balance (E_t) or projected PCA impacts indicate elevated financial risk (e.g., material reserve pressure, credit/collateral exposure, or sustained under-recovery), the with advice and consent of the City Manager's office the Energy Services Director may shorten or extend the amortization window as needed to maintain prudent financial operations, with timely notice provided to the City Finance Director.
- PCA_t becomes effective automatically without further legislative action.
- The Director's monthly filing shall use the PCA Certificate form and public posting process maintained under Policy 5.15 administrative procedures.