



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Arturo Vela, Interim City Manager

PREPARED BY: Fred Lyn, Deputy Director of Electric

MEETING DATE: October 14, 2025

SUBJECT: Consideration of Resolution 2025-139, Approving Electric Rate Increases and Revisions to Certain Electric Rates and Tariffs.

RECOMMENDATION:

Adopt Resolution 2025-139.

BACKGROUND:

The Banning Electric Utility's (BEU's) cash position had been in decline for several years. This downward trend accelerated between Fiscal Years (FYs) 2020/21 and 2022/23, driven largely by increased capital expenditures that relied heavily on cash reserves. BEU's cash reserves fell below the threshold set by its reserve policy as of November 30, 2021, and became negative by December 31, 2022. By June 30, 2023, BEU reported an available cash balance of approximately negative \$9 million. This negative cash balance is primarily attributed to the utility's failure to secure external financing for major capital improvement projects, combined with the absence of necessary rate increases to keep up with the cost of service and shrinking operating margins.

Recognizing the urgency of BEU's financial challenges, the City Council approved Resolution 2024-169 on October 22, 2024, which implemented an emergency rate increase of 13.9% effective on November 1, 2024 for all rate classes and a second rate increase of 13.9% effective on November 1, 2025 for all rate classes. Before this rate increase, BEU last implemented an electric rate increase in 2013.

On November 12, 2024, the City Council approved Resolution 2024-175, authorizing a Professional Services Agreement with NewGen Strategies and Solutions, LLC ("NewGen") to conduct a comprehensive Cost of Service Analysis and Rate Design. This effort officially launched in December 2024 and has progressed through key phases including data collection, rate strategy development, trend analysis, and multiple financial model reviews.

On May 20, 2025, City staff, in coordination with the NewGen team, presented an update to the Budget and Finance Committee. The presentation outlined the rate study process, key revenue requirements and assumptions, current fund balances and financial metrics, proposed revenue adjustments, and the next steps moving forward. The Budget and Finance committee provided feedback and recommended a more detailed analysis for a 5-year rate scenario that would include rate revenue requirement increases of 20%, 20%, 3%, 3% and 3% and it was also recommended for staff to look at the potential cost savings to defer some capital expenditures.

On July 15, 2025, City staff, in coordination with the NewGen team, presented a second update to the Budget and Finance committee, which provided two recommended funding scenarios for a cash positive electric fund balance by either FY 2027 or FY 2028 and the rate impacts and bill comparisons to BEU's

Interruptible Well Service (IW-1)

	Current	11/1/2025	11/1/2026	11/1/2027	11/1/2028	11/1/2029
Basic Service Charge— per meter	\$342	\$400	\$400	\$400	\$400	\$400
Energy Charge – per kWh	\$0.1198	\$0.1438	\$0.1697	\$0.1952	\$0.2147	\$0.2362
Demand Charge – per kWh	\$15.38	\$18.50	\$21.50	\$24.50	\$27.00	\$29.50

Medium Commercial Service (MC-1)

	Current	11/1/2025	11/1/2026	11/1/2027	11/1/2028	11/1/2029
Basic Service Charge— per meter	\$228	\$290	\$290	\$290	\$290	\$290
Energy Charge – per kWh	\$0.1259	\$0.1574	\$0.1968	\$0.1988	\$0.2048	\$0.2048
Demand Charge – per kWh	\$19.42	\$20	\$21	\$22	\$23	\$23

Industrial Service (IS-1)

	Current	11/1/2025	11/1/2026	11/1/2027	11/1/2028	11/1/2029
Basic Service Charge— per meter	\$456	\$525	\$525	\$525	\$525	\$525
Energy Charge – per kWh	\$0.1150	\$0.1380	\$0.1615	\$0.1809	\$0.1845	\$0.1845
Demand Charge – per kWh	\$16.52	\$20	\$23.50	\$26	\$26.50	\$26.50

Security Lighting Service (SL-2)

	Current	11/1/2025	11/1/2026	11/1/2027	11/1/2028	11/1/2029
100 Watt Equivalent LED	\$11.07	\$14.39	\$15.90	\$19.40	\$21.15	\$24.32
250 Watt Equivalent LED	\$27.68	\$35.98	\$39.76	\$48.51	\$52.88	\$60.81
100 Watt Sodium Vapor	\$22.13	\$28.77	\$31.79	\$38.78	\$42.27	\$48.62
150 Watt Sodium Vapor	\$33.20	\$43.16	\$47.69	\$58.18	\$63.42	\$72.93
175 Watt Sodium Vapor	\$38.73	\$50.35	\$55.64	\$67.88	\$73.98	\$85.08
200 Watt Sodium Vapor	\$44.27	\$57.55	\$63.59	\$77.58	\$84.57	\$97.25
250 Watt Sodium Vapor	\$55.33	\$71.93	\$79.48	\$96.97	\$105.69	\$121.55

400 Watt Sodium Vapor	\$88.53	\$115.09	\$127.17	\$155.15	\$169.12	\$194.48
20 Foot or 35 Foot Wood Pole (City owned)	\$4.57	\$5.94	\$6.56	\$8.01	\$8.73	\$10.04

Street Lighting Service (SL-1)

	Current	11/1/2025	11/1/2026	11/1/2027	11/1/2028	11/1/2029
Per Street Light / month	\$9.62	\$12.51	\$13.82	\$16.86	\$18.38	\$21.13

General Provisions and Rate Riders to be amended or retired are as follows:

General Provisions (Retired)

Power Cost Adjustment Factor Rider (Amended to include details and clarity)

Economic Development Discount Rider (Amended to include a change in the existing New and Expanded load criteria and a new Job Creation criteria)

FISCAL IMPACT:

If approved, the expected rate increase would become effective on November 1, 2025. The rate increase will generate sufficient revenue to cover all of Banning Electric Utility's expenses including: operation services, general administrative services; services rendered by other city departments in support of the Banning Electric Utility; additions and betterments to the electric utility system; the amortization or depreciation of obsolete facilities within the electric utility system; any and all bonded indebtedness incurred in the construction or extension of the electrical utility system, including principal and interest thereof; and a reasonable reserve fund to provide for unforeseen contingencies. The proposed electric rate increases will result in approximately \$ 2.7M in additional revenue in FY 2026, \$8.9M in FY 2027, \$11.4M in FY 2028, \$12.4M in FY 2029 and \$12.4M in FY 2030.

ALTERNATIVES:

The City Council could reject staff's recommendation and elect to reconsider the previously approved electric rate increase or request another be explored. This alternative will result in further degradation of BEU's cash balance until a sustainable rate increase is approved by the City Council. This alternative may also lead to further lowering of BEU's bond rating.

BUDGETED?:

No

CONTRACT/AGREEMENT:

No

ATTACHMENTS:

1. [Resolution 2025-139.docx](#)
2. [Resolution 2025-139 Exhibit A.pdf](#)
3. [Banning Electric Utility_COS and Rate Study Report__10.06.25.pdf](#)
4. [BEU Rate Trends Study_Final Report.pdf](#)
5. [Banning Draft Cost of Service Print-Out.pdf](#)
6. [Banning Draft Financial Forecast Print-Out.pdf](#)

7. [Banning Draft Cash Flow Print-Out Full_10.07.25.pdf](#)