# AN IMPORTANT MESSAGE TO LATHROP IRRIGATION CUSTOMERS REGARDING AN INCREASE TO THE RESOURCE ADEQUACY CHARGE

Resource Adequacy, commonly referenced as "RA" for short, is a term that is often heard but frequently not well understood in the electricity sector. In the simplest terms, RA is just a regulatory rule developed to ensure that there will be sufficient resources available to serve electric demand under all but the most extreme conditions. In short, an insurance policy the utility must purchase.

In the wake of the California Electricity Crisis of 2000-01, the state determined that it was necessary to develop a system that would prevent the kind of power shortages, extreme price spikes, and rolling blackouts that occurred during that turbulent period. The RA program requires each utility to procure a certain amount of its RA from "Local" resources that are sited in certain load pockets where supply is needed due to insufficient transmission to serve the entire load, and our local resources are very expensive (e.g., SF Bay Area, LA Basin, San Diego, etc.). As a means of dealing with the so-called Duck Curve problem, which is caused by the significant amount of solar energy in our area, LID must procure a certain amount of its RA from "Flexible" resources that can ramp up or down on short notice to meet variations in load and intermittent energy production because solar can be very unreliable.

Lathrop Irrigation District was recently notified that the State of California has increased the requirements in securing Resource Adequacy. When the State is calling for energy conservation because of a shortage of energy (usually during extreme hot weather), utilities are required to have purchased contracts with energy providers to produce extra energy during the shortfall times. This fee, along with many other State mandated charges, are not optional and are collected by the utility and passed back to either the State or another entity for disbursement.

To help simplify it, this is much like a gas tax where the gas station owner is not receiving the funds, only collecting them and then paying them to the State. This charge has historically been $.007 per kilowatt hour of energy used in a billing period. Due to the increase in the requirements by the State, and the increase in pricing charged by those entities selling the RA, it is necessary to increase the charge to customers to $.02 per kilowatt hour effective with the October usage (which is billed November 1st). For an average usage month of 600 kwh, this represents an increase of approximately $7.80 per month, and while LID would prefer to not have to burden our customers with an increase, it is necessary in order to be in compliance with State requirements. Like any fee or rate LID charges, we examine carefully the cost of providing the service and do everything we can to keep those costs low. In this case, we have no control over how much RA the State requires us to purchase and no control over the costs that energy suppliers charge for RA. When every utility is competing to purchase RA to remain in compliance, you can imagine that suppliers hold all of the cards and will employ the old "supply and demand" pricing structure, so we do expect these costs to continue to increase unless the program is drastically changed. While LID is only one voice, we do, along with other public power agencies, lobby for fairness and equitable programs. As a not-for-profit entity, our goal is to keep the cost of service down and protect our customers from volatile energy costs. We will continue to join with the other voices of public power and encourage the lawmakers to take a closer look at this and other programs to improve how they manage this and other important programs