

# ***Lompoc City Council Agenda Item***



**City Council Meeting Date:** August 17, 2010

**TO:** Laurel M. Barcelona, City Administrator

**FROM:** Brad Wilkie, Management Services Director  
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**SUBJECT:** Resolution No. 5665(10) Modifying Eligibility Criteria for Electric Utility Rate Schedule A-13

**Recommendation:** The City Council:

Adopt Resolution No. 5665(10) modifying Electric Utility Rate Schedules A-13.

**Background/Discussion:**

Electrical Rate Schedule A-13 was implemented in 1996 by Resolution No. 4552(96). The rates component of Schedule A-13 was last modified on November 3, 2009 by Resolution 5992(09). Schedule A-13 is the General Service – Economic Development Incentive Rate and was implemented with several goals. Some of the goals stated in the 1996 resolution include:

- Attraction of new large consumers of electric power to the City
- Attraction of new job-producing manufacturing, industrial, and research and development businesses to the community
- Revitalization of the Lompoc economy through the creation of new jobs
- To retain existing customers and attract new customers

The implementation of Schedule A-13 occurred at the time that legislation was passed to deregulate the electric industry (AB 1890). A portion of AB 1890 would allow larger industrial customers to contract for electrical power independent of the provider in their area (so-called Direct Access customers). Schedule A-13 was implemented, in part, to take advantage of this Direct Access component to draw customers from investor owned utility (IOU) areas.

Since 1996, the eligibility requirements for Schedule A-13 have not been significantly modified. As a result of the 2000-2001 energy crisis, many of the components of the original deregulation legislation have been abandoned. With the economic downturn that currently exists, the last goal stated above is more significant now than it appeared to be at the time the schedule was implemented.

It is important to retain existing customers and to reward the growth of existing customers by allowing them to have access to the economic incentive rate, as long as they meet the eligibility criteria.

In reviewing the current criteria, changes have been suggested to expand the eligibility for the economic incentive rate. The following are the changes that are being recommended to the schedule:

Applicability Section:

- A. & B. Add language that provides for the assistance by the Electric Utility in estimating the expected maximum demand and usage of a customer to be used in determining eligibility.
- C. Reduce the number of new full time equivalent (FTE) positions from ten to five for eligibility under the schedule, for five years. For each new FTE above five and up to ten, increase the eligibility under the schedule by one year for each FTE, up to ten years.
- D. Eliminate the minimum salary component as an eligibility criterion.
- E. Add section that allows a customer to extend its eligibility for the rate as long as they meet the criteria of B and C (an additional increase in electric use and the addition of at least five FTEs).

Territory Section:

Add the Redevelopment Agency's project area and the Housing & Urban Development's low and moderate census tracks as eligible locations for a business that could otherwise qualify for the incentive rate. Revise the zones of eligibility to reflect current nomenclature (Industrial, rather than Commercial or Planned Manufacturing).

**Financial Impact:**

Electric customers receiving the Schedule A-13 rate consume less than 5% of the annual electrical load of the City. The City's load is about 140,000 megawatt hours annually. Any customer (new or existing) becoming eligible for the Schedule A-13 rates, because of the changes in criteria, will be increasing their load accordingly. That increase in volume will help the utility by spreading existing fixed costs over a larger customer and load base. The utility's cost of power is good now, and will continue to improve. For example, the Lodi Energy Center is moving into the construction phase. With its completion in 2012, the City's participation in this facility will increase our ability to provide long-term, reliable and cost effective power to the community.

**Conclusion:**

The adoption of the Resolution to modify the eligibility criteria of the A-13 economic development incentive rate will not adversely affect the Electric Utility

operations. However, the added flexibility will give incentives to new and existing customers. A larger customer base will benefit the Electric Utility directly, and indirectly benefit the community as a whole.

**APPROVED FOR SUBMITTAL TO THE CITY ADMINISTRATOR:**

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Brad Wilkie  
Management Services Director

**APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:**

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Laurel Barcelona  
City Administrator

Attachments:

[Resolution No. 5665\(10\)](#)