



## City Council Agenda Item

**City Council Meeting Date:** May 19, 2020

**TO:** Jim Throop, City Manager

**FROM:** Melinda Wall, Financial Services Manager  
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Tikan Singh, Electrical Utility Manager  
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**SUBJECT:** Adoption of Resolution No. 6329(20) Approving Appropriation of \$2,300,000 Electric Utility Reserves to Fund a One-Time \$150 Rebate to Each Business and Residential Electric Utility Customer Due to COVID-19

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### **Recommendation:**

Staff recommends the City Council:

- 1) Adopt Resolution No. 6329(20) (Attachment 1) amending Resolution No. 5889(14) and appropriating approximately \$2.3 million from the Electric greenhouse gas (GHG) allowance reserves, which will be used to distribute a one-time \$150 rebate (utility bill credits) to each Electric Utility business and residential customer receiving electric bills during the billing cycle immediately following adoption of the resolution; or
- 2) Provide alternate direction.

### **Background:**

At the City Council meeting on May 5, 2020, the City Council directed staff to explore a way to use Electric Utility cash reserves to issue rebates/credits to Utility customers. The City Council stated it was important to bring this item forward as soon as possible.

The source of the City's GHG allowances is California's GHG "Cap & Trade" Program. Under the program, all electrical distribution utilities in California are provided an annually declining amount of "free" GHG allowances. The purpose of those free GHG allowances is to help offset a part of a utility's cost for complying with increasingly stricter state-imposed GHG emission limits.

State law provides a limited number of acceptable uses for the revenue obtained from the sale of GHG allowances. In general, sale proceeds may only be used for

projects/programs which reduce GHG emissions, such as investments in energy efficiency and renewable energy, or sale proceeds may be distributed directly to electric ratepayers in a non-volumetric manner. (Cal. Code of Regulations, Title 17, section 95892(d)(3).)

Use of sale proceeds other than for the primary benefit of retail *electricity* ratepayers is prohibited. (Cal. Code of Regulations, Title 17, section 95892(d)(7).) Therefore, the credit can only be given to utility customers who have an Electric account. For those customers, the credit can be applied to their entire utility bill, not just the electric portion of the bill. (Cal. Code of Regulations, Title 17, section 95892(d)(3)(D) [allowing for “off-bill” payments to electric ratepayers].)

If not all of the \$150 credit is used in the first month, the remainder will roll over to the customer’s bill for the next month and so on until the entire credit is used. If the ratepayer terminates service from the City of Lompoc and there is an unused balance, the credit will be returned to the GHG fund and not paid out to the customer.

Through Resolution No. 5889(14) (Attachment 2) adopted by the City Council on February 18, 2014, the City’s Electric Utility was authorized to use proceeds from the sale of its free GHG allowances for four purposes: i) 4kv to 12kv electrical circuit conversions, ii) upgrades at geothermal facilities owned by Lompoc, iii) LED street light conversion, and iv) renewable power procurement.

**Discussion:**

Staff proposes to amend Resolution No. 5889(14) to also allow the use of \$2.3 million of Electric reserves which resulted from the sale of GHG allowances to fund a \$150 billing credit to each utility customer with an Electric Utility account (business and residential). The rebate would be credited to accounts beginning with the next utility billing cycle following adoption of Resolution No. 6329(20).

As allowed by Resolution No. 5889(14), the Electric Utility has recently begun using GHG allowance sale proceeds to offset the costs of its Geysers geothermal energy entitlement. To the extent that residual GHG allowance proceeds remain following the rebates/credits to Electric Utility customers under Resolution No. 6329(20) (or the account is augmented in the future through subsequent GHG allowance sales), the Electric Utility expects to continue use of this funding source to offset future renewable power costs.

**Fiscal Impact:**

Adoption of Resolution No. 6329(20) will reduce the Electric Utility reserves by about \$2.3 million. Each Electric Utility bill customer (business and residential) will receive a rebate in the amount of \$150 applied as a credit to their utility account. The estimated total billing credit amount, based on Electric meters in service as of January 2020, is reflected in Table 1 below.

<u>Type of Service</u>	<u>Number of Meters</u>	<u>Amount</u>
Residential	13,254	\$1,988,100
Mobile Homes	7	\$1,050
Commercial - Electric	1,631	\$244,650
<u>Commercial - Power &amp; Demand</u>	<u>24</u>	<u>\$3,600</u>
	14,916	\$2,237,400
<u>Amount per Account</u>	<u>\$150</u>	
Total Estimated Amount	<u>\$2,237,400</u>	

**Conclusion:**

Adoption of Resolution No. 6329(20) will provide a one-time \$150 customer utility bill rebate/credit to each Electric Utility customer to financially assist those customers during the current COVID-19 pandemic State of Emergency.

Respectfully submitted,

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Melinda Wall, Financial Services Manager

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Tikan Singh, Electric Utility Manager

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

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George Morrow, Interim Utility Director

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Dean Albro, Management Services Director

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

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Jim Throop, City Manager

Attachments: 1) Resolution No. 6329(20)  
2) Resolution No. 5889(14)