



CITY OF LODI COUNCIL COMMUNICATION

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AGENDA TITLE: Set Public Hearing for September 19, 2007 to introduce ordinance amending Chapter 13.20, "Electrical Service," by adding new Schedule CSS (California Solar Initiative Surcharge) to become effective December 1, 2007 (EUD)

MEETING DATE: September 5, 2007

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Set Public Hearing for September 19, 2007 to introduce ordinance amending Chapter 13.20, "Electrical Service," by adding new Schedule CSS (California Solar Initiative Surcharge). It is recommended that implementation be effective December 1, 2007. This surcharge will serve as the funding mechanism for the state-mandated solar program.

BACKGROUND INFORMATION: California Senate Bill 1 (SB1), known as the California Solar Initiative (CSI), was chaptered into state law in August 2006. The CSI requires all electric service providers in the state to establish a rebate program for the installation of photovoltaic/solar systems on residential, commercial and industrial customer sites. The CSI must begin no later than January 1, 2008 and is mandated for ten consecutive years. Rebates are required to be no less than \$2.80 per watt in year one, then dropping by 7% each year thereafter.

The state-wide municipal utility share of the CSI for ten years is \$784 million, as established by the legislation. Lodi's municipal utility percentage share of the CSI is 0.79%, which is approximately \$6 million over ten years, based on energy sales during fiscal year 2005-2006. Lodi's obligation to provide rebates for the CSI are limited to this amount. The proposed Lodi Solar Rebate Pilot Program would limit expenditures for this program at \$600,000 per year. This would require funding at approximately one-eighth cent per kilowatt-hour of retail sales ($\$600,000.00 \div 480,000,000 \text{ kWh} = \0.00125).

For an average residential customer paying about \$117 per month for electricity, the proposed surcharge would add about 80 cents to the bill.

The CSI allows utilities to fund their solar rebate program via a rate surcharge. It is proposed that a flat per kWh rate surcharge, initially \$0.00125, be established to fund the mandated program. Other funding sources were considered besides the recommended surcharge. These included:

- No surcharge: The use of existing funds would put the fund balance as well as our recently improved credit rating at risk.
- Use of Public Benefit Funds: The legislation does not allow for a reduction in the dollars currently expended on existing public benefit programs to fund the CSI program.

FISCAL IMPACT: A California Solar Initiative Surcharge of one-eighth cent per kilowatt-hour (\$0.00125/kWh) would collect approximately \$600,000 per calendar year to fund the state-mandated solar rebate program in Lodi.

FUNDING: Not applicable.

George F. Morrow, Electric Utility Director

Prepared By: Sondra Huff, Sr. Rate Analyst

APPROVED: _____
Blair King, City Manager