

**LODI CITY COUNCIL  
SHIRTSLEEVE SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, SEPTEMBER 29, 2015**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, September 29, 2015, commencing at 7:11 a.m.

Present: Council Member Kuehne, Council Member Mounce, Council Member Nakanishi, Mayor Pro Tempore Chandler, and Mayor Johnson

Absent: None

Also Present: City Manager Schwabauer, City Attorney Magdich, and City Clerk Ferraiolo

B. Topic(s)

B-1 Changing Electric Utility Business Model (EU)

Melissa Cadek, Rates & Resources Manager, provided a PowerPoint presentation regarding the changing Electric Utility (EU) business model. Specific topics of discussion included overview, traditional EU business model, new EU business model, solar installations, impact on utilities, revenue erosion cycle, fixed costs and revenues, utility solution - publicly-owned utilities, utility solution - investor-owned utilities, options and solutions for Lodi, other rate issues, and next steps.

City Manager Schwabauer explained the challenge of comparing rate sheets with other utilities, stating that many utilities have a fixed charge added into the rate. Lodi does not have a fixed charge; instead, it has a minimum charge of \$5.25, which is subsumed into the total amount of the bill and not added onto the rate.

Council Member Mounce stated landlords will be displeased with a fixed-rate charge because they will have higher bills while the the power is on to upgrade vacant homes, adding that landlords will ultimately raise rates to cover that cost, which will harm renters and fixed-income individuals.

In response to Council Member Mounce, Deputy City Manager Jordan Ayers stated the late fees collected by the City have been comparable from year to year. In further explanation, he stated the late fee revenues have increased over time, but it is flat year over year. Mr. Ayers confirmed the late fee revenue goes to the general fund and not to the utility account. Ms. Cadek explained, without a fixed charge, EU is collecting the fixed cost of the system from the upper rate tier users only, which is the reason behind balancing the inequities.

Council Member Mounce addressed the inequity between utility users, stating high-energy users are subsidizing those that are not. She questioned if high-energy households typically consist of multiple bedrooms, high number of individuals, and a swimming pool, to which Ms. Cadek responded in the affirmative. Council Member Mounce stated she believed there was an inequity in making low-income households and those who conserve energy pay for users with large homes and pools. Mr. Schwabauer added another high-energy user profile includes renters and those living in poor conditions, to which Ms. Mounce reiterated it is unfair to penalize them along with those with swimming pools. Mr. Schwabauer stated that, if the City made the change that the Public Utilities Commission is forcing PG&E to make by flattening tiers, the renters in homes with poor electric infrastructure and those that are high-energy users would have a softened affect on the rate. Council Member Mounce stated her concern is that those who live modestly and are saving electricity will be penalized, while low-income individuals and those living beyond their means could see a reduction in their rates.

In response to Council Member Kuehne, Mr. Ayers stated half of the \$70 million EU budget represents fixed costs and, in order to cover those costs, each of the 25,000 utility customers would need to pay a fixed charge of \$128 per month. Mr. Schwabauer stated it is not solely solar customers who are not paying the cost to maintain the system; it is everyone.

Mr. Schwabauer explained demand charges take into account the maximum amount of energy used at one time in a household, versus how much is used over a day, because the grid must be sized appropriately to meet the maximum demand when needed. Ms. Cadek added many utilities are considering residential demand charges, but the City does not have the infrastructure to provide that option at this point and the concept is complicated to explain to customers.

In response to Council Member Mounce, Ms. Cadek stated the technology exists for residential meters to capture use per time of day, but the cost would be significant to change out the residential meters. In further response, Mr. Schwabauer stated the current meters are not smart meters and, at the time when the meters were replaced, there was litigation against PG&E as to whether the new technology was reading correctly or not and the City opted against the smart meters because of this uncertainty and lawsuits.

In response to Council Member Nakanishi, Mr. Schwabauer stated smart meters are the current trend, and Electric Utility Director Elizabeth Kirkley stated there would be a significant cost to upgrade the system and infrastructure to handle smart meters. Ms. Cadek added the billing system would also need to be adjusted if the meters were upgraded.

In response to Council Member Kuehne, Ms. Cadek stated the current one-way communication AMR (automated meter reading) meters would have little to no re-sale value because most utilities are moving in the direction of the smart, two-way communication AMI (advanced metering infrastructure) meters. She stated the lifespan of the current AMR meters is 10 to 15 years and the City is not yet at the point that it needs to replace them. In further response, Electric Utility Superintendent Charles Berry stated the smart meter technology is still fairly new and he could not estimate their lifespan because he was unaware of any utility that has had to replace them. Mr. Berry confirmed new subdivisions are equipped with the AMR meters.

In response to Mayor Johnson, Mr. Berry stated the future is heading toward smart meters, but he could not predict when the State legislature will mandate utilities to begin using them. Ms. Cadek added legislation will likely not require installation of smart meters; rather, it may require a time-of-use option in the rate structure, which would result in the need for smart meters.

Council Members Kuehne and Mounce discussed the pros and cons of installing AMI meters in new subdivisions now, even though they cannot be utilized, versus later when it may be more costly to replace all of the meters. Ms. Kirkley pointed out the technology of smart meters may evolve greatly between now and then and any meters installed today may be outdated by the time the City is ready to move to AMI meters. Mr. Schwabauer stated the City faced a similar issue with the water meters and opted to postpone installing meters until it was time to begin phasing in sections of town, adding that those meters are now outdated because the new meters are remotely readable. In response to Council Member Mounce, Mr. Schwabauer confirmed the infrastructure was put into place for the water meters early on, but the meters themselves were not. Council Member Mounce stated she believed it was sensible to build the smart meter infrastructure and adjust the billing system first before buying and replacing the meters.

Council Member Mounce requested a follow-up Shirtsleeve Session on the impact the various rate options would have on customers. Mr. Schwabauer stated staff requested the rate consultant provide examples of what would happen to various levels of users for options such as flattening the rate structure or requiring a minimum bill, while assuming the same net revenue raised for the system.

In response to Mike Lusk, Ms. Kirkley stated utilities, by law, are required to have the same rate for customers, whether it is solar energy or not. Mr. Lusk expressed concern that revenue collected from late fees is deposited into the general fund rather than back to the utility and

suggested those monies be handled similarly to how City departments pay the utility back for services provided to the department. He stated he believed the late fee revenue should return to the utility to help reduce rates.

Pat Patrick, with the Lodi District Chamber of Commerce, questioned whether the solar industry will increase, since it is only at 1 percent currently, and suggested that adjusting the tier rates is a short-term solution. Ms. Cadek stated California installed more solar systems in 2014 than the remainder of the country from 1970 to 2011 and solar activity will likely decrease once the rebate is eliminated. She further stated restructuring the tiers is not a short-term solution because it does not solely address solar; it also addresses larger inequities in the five-tier rate system.

Myrna Wetzel suggested there may be an add-on installation kit to upgrade the current meters to smart meters, rather than replacing the units entirely.

Mayor Johnson summarized that staff will return to Council with more data and scenarios for the various options that will help Council better define its direction.

Council Member Nakanishi expressed concern that any rate adjustments will harm low-income utility customers, which will not sit well with the public. Ms. Kirkley reminded that low-income individuals can be both low- and high-energy users.

Council Member Mounce suggested other options may be a surcharge for homes with pools or a decrease in the minimum bill amount so the burden is lessened on those individuals who are on a fixed income or are conservative with their energy.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:11 a.m.

ATTEST:

Jennifer M. Ferraiolo  
City Clerk