I-2

CITY OF LODI
COUNCIL COMMUNICATION

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AGENDA TITLE: Public Hearing to Introduce Ordinance amending Chapter **13.20** "Electrical Service" by adding a new Section **13.20.315** titled Schedule EDR -- Economic Development Rates (EUD)

MEETING DATE: April **1**, 2009

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Conduct a Public Hearing to introduce ordinance amending Chapter 13.20 "Electrical Service" by adding a new Section 13.20.315 titled Schedule EDR (Industrial Development Incentive Discount).

BACKGROUND INFORMATION: Over the years, many electric utilities have implemented special discounted rate tariffs to encourage economic/industrial development within their service areas.

A report prepared for the Electric Utility Department (EUD) by MBMC, Inc. in late 2006 highlighted a number of California electric utility economic/industrial incentive rates. MBMC found that most electric utilities that offered such rates, targeted high "load factor" industrial and/or manufacturing customers for either business expansion or for relocation to their service areas by offering rate discounts of various amounts and for various periods.

Given the relatively weak financial condition of the electric utility at the time, staff elected not to recommend the establishment of an economic development discount program. Given recent improvements in the electric utility's financials and declining economic conditions for business, however, EUD believes consideration of an economic/industrial development discount rate is now appropriate to further EUD and community goals related to industrial and business development.

As such, EUD is proposing establishment of an Economic Development Rate (EDR) discount to be available to new or expanded industrial businesses for a two-year period beginning July 1, 2009. Key elements of the proposed program for industrial customers are as follows:

- Incentives are provided for 36 months to qualified customers:
- Applies to new or expanded industrial load only (i.e. no retail);
- 10-percent base discount;
- Extra 3-percent "job creations" discount (minimum 25 jobs for G2 customers and 50 jobs otherwise);
- Extra 5-percent discount for new or expanded facilities that receive a Silver or higher "Leadership in Energy and Environmental Design" (LEED) designation;
- Extra 5-percent discount for qualified entities that are located within the designated Enterprise Zone;
- **No** entity may receive a total discount in excess of 20 percent and discounts do not apply to billing surcharges;
- Minimum load addition of 50 to 200KW depending on rate class;

APPROVED: _____
Blair King, City Manager

- 45 percent minimum "load factor"; and
- June 30, 2011 sunset

In addition, Schedule EDR incorporates two further discounts – one for new tourism and wine industry businesses and one for new green technology businesses.

- a 10-percent discount to new businesses that are substantially and directly related to tourism andlor the wine industry. Examples of such businesses include those that are marketing Lodi andlor local wine products, hotel including bed-and-breakfast establishments, and restaurants, gift shops and boutique-type stores within or immediately adjacent to the downtown Lodi shopping district. This provision responds to comments by the Lodi Chamber of Commerce at the City Council's January 13, 2009 Shirtsleeve on this subject.

- a 10-percent discount to new businesses that are substantially and directly involved in the development, marketing, sale, manufacturing and/or installation of green technology products and services. Examples of such businesses include those directly involved in solar, wind, geothermal, biomass, and fuel cell industries. Green Technology Businesses that are otherwise eligible for an EDR Industrial Business discount may elect to apply for that discount in lieu of the Green Technology Business discount.

Once in effect, it is EUD's intent to review the effectiveness of the proposed economic development incentive program during the first 18 months of operation and report the findings to City Council. **At** that time, Staff may propose (i) extending the program in its original form; (ii) modifying the program to enhance its effectiveness; or (iii) allowing the program to sunset on June 30, 2011.

FISCAL IMPACT: The fiscal impact of Schedule EDR is difficult to project, but the proposed discounts are expected to have a relatively minor impact on the electric utility. On average, the electric utility expects to recover its marginal cost to provide service during the discount period.

FUNDING: None required.

Jordan Ayers
Deputy City Manager/Internal Skrvices Director

George F. Morrow
Electric Utility Director

CITY OF LODI
ELECTRIC UTILITY DEPARTMENT

SCHEDULE EDR

ECONOMIC DEVELOPMENT INCENTIVE DISCOUNT

APPLICABILITY:

This rate is available to qualified commercial customers for the purpose of industrial business attraction or existing industrial facility expansion and (ii) new businesses directly related to tourism and/or the wine industry, Customers must file an application requesting an Economic Development Incentive Discount (EDR) prior to taking electric service for the qualified new or expanded load

Industrial Businesses

QUALIFYING CUSTOMERS:

An industrial customer is one who operates facilities that are not involved in the sale of goods and services directly to the public as determined by the Electric Utility Department (EUD).

BASE DISCOUNT:

The Base Discount shall equal ten percent (10%) of the electric bill associated with the qualified new or expanded load. The Base Discount shall not apply to the Solar Surcharge, CEC fee, State Energy Tax or any other assessment or charge levied on electric bills after the effective date of this rate schedule unless specifically provided otherwise. (Note: The EDR is not available for G I customers.)

JOBS CREATION DISCOUNT:

An EDR qualified customer may receive an additional five percent (5%) discount of the electric bill associated with the qualified new or expanded load if they create a minimum of 25 new jobs (G2 customers) or 50 new jobs (G3, G4, G5 and I1 customers). If the new job count associated with qualified new or expanded load falls below this level in any given month, no Jobs Creation Discount shall be applied for that month. The Jobs Creation Discount shall not apply to the Solar Surcharge, CEC fee, State Energy Tax or any other assessment or charge levied on electric bills after the effective date of this rate schedule unless specifically provided otherwise.

ENERGY EFFICIENCY DISCOUNT:

An EDR qualified customer may receive an additional five percent **(5%)** discount of the electric bill associated with the qualified new or expanded load if the new facilities constructed for the new or expanded load are awarded a Silver or higher "Leadership in Energy and Environmental Design" (LEED) designation. Following receipt of the applicable LEED certification, the additional discount shall become effective for the remainder of the EDR period.

CITY OF LODI
ELECTRIC UTILITY DEPARTMENT

SCHEDULE EDR

ECONOMIC DEVELOPMENT INCENTIVE DISCOUNT

ENTERPRISE ZONE DISCOUNT:

An EDR qualified customer may receive an additional five **(5%)** discount of the electric bill associated with the qualified new or expanded load if the new or expanded load are located within the boundaries of the City's Enterprise Zone as set forth at the time of customer application.

MAXIMUM DISCOUNT LEVEL:

In no event may a single new or expanded load receive a total discount in excess of twenty percent (20%) of the electric bill associated with the qualified new or expanded load.

MINIMUM LOAD ADDITION:

To qualify for the Economic Development Incentive Discount, the new or expanded load must be sized at or greater than the following:

G2	50 kilowatts (KW)
G3	50 KW
G4	100 KW
G5	**200** KW
I1	**200** KW

Customer must provide information satisfactory to EUD regarding the planned size of the new or expanded load. The new or expanded load eligible for an EDR shall be separately metered. If a customer's discounted load level falls below the applicable minimum level in any given month, no discount shall be applied for that month.

LOAD FACTOR:

Customer shall maintain a monthly load factor of at least **45** percent for the load receiving a discount. If the load factor falls below this level in any given month, no discount shall be applied for that month.

SCHEDULE I1 AMENDMENT

On the effective date of this Schedule EDR, the provision of the I1 Rate Schedule providing for a 10% discount in electric rates for twelve months if a customer adds 200 KW or more of electric load, shall be null and void.

CITY OF LODI
ELECTRIC UTILITY DEPARTMENT

SCHEDULE EDR

ECONOMIC DEVELOPMENT INCENTIVE DISCOUNT

Tourism andlor Wine Industrv Businesses

QUALIFYING CUSTOMERS:

The EDR shall apply only to those businesses that are substantially and directly related to tourism andlor the wine industry as determined by the Electric Utility Department (EUD). Examples of such businesses include those that are marketing Lodi andlor local wine products, hotel including bed and breakfast establishments, and restaurants, gift shops and boutique-type stores within or immediately adjacent to the downtown Lodi shopping district.

BASE DISCOUNT

The Base Discount shall equal ten percent (10%) of the electric bill associated with the qualified new or expanded load. The Base Discount shall not apply to the Solar Surcharge, CEC fee, State Energy Tax or any other assessment or charge levied on electric bills after the effective aate of this rate schedule unless specifically provided otherwise.

General Provisions

LENGTH OF DISCOUNT:

As to any customer, the EDR shall apply for a period of thirty six (36) months.

TERM OF EDR SCHEDULE:

This Schedule EDR shall be in effect July 1, 2009 though June 30, 2011 for new customers. Once a customer is placed on this rate schedule, however, that customer's discount shall be in effect for thirty six (36) months unless terminated earlier as provided in this schedule. Electric customers who received building permits andlor began construction prior to April 1, 2009 for otherwise qualified EDR load shall not be eligible for an EDR discount hereunder for that new business or expanded load.

IMPLEMENTATION:

EUD shall be responsible for establishing administrative rules and processes for administering this rate schedule. Customers shall provide information on a timely basis to enable EUD to verify eligibility and to administer the terms of this rate schedule.

ORDINANCE NO. _____

AN ORDINANCE OF THE LODI CITY COUNCIL AMENDING LODI MUNICIPAL CODE CHAPTER 13.20, "ELECTRICAL SERVICE," BY ADDING A NEW SECTION 13.20.315 - SCHEDULE EDR ECONOMIC DEVELOPMENT RATES

DRAFT

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BE IT ORDAINED BY THE LODI CITY COUNCIL AS FOLLOWS:

SECTION 1. Lodi Municipal Code Chapter 13.20 is hereby amended by adding a new Section 13.20.315 - Schedule EDR – Economic Development Rates, to read as follows:

13.20.315 SCHEDULE EDR - ECONOMIC DEVELOPENT RATES

APPLICABILITY:

This rate is available to qualified commercial customers for the purpose of (i) new industrial business attraction or existing industrial facility expansion, (ii) new business attraction directly related to tourism and/or the wine industry and (ii) new business attraction directly related to the green technology sector. Customers must file an application requesting an Economic Development Rate (EDR) discount prior to taking electric service for the qualified new or expanded load.

INDUSTRIAL BUSINESSES

QUALIFYING CUSTOMERS:

An industrial customer is one who operates facilities that are not involved in the sale of goods and services directly to the public as determined by the Electric Utility Department (EUD).

BASE DISCOUNT:

The Base Discount shall equal ten percent (10%) of the electric bill associated with the qualified new or expanded load. The Base Discount shall not apply to the Solar Surcharge, CEC fee, State Energy Tax or any other assessment or charge levied on electric bills after the effective date of this rate schedule unless specifically provided otherwise. (Note: The EDR is not available for G I customers.)

JOBS CREATION DISCOUNT:

An EDR qualified customer may receive an additional five percent (5%) discount of the electric bill associated with the qualified new or expanded load if they create a minimum of 25 new jobs (G2 customers) or 50 new jobs (G3, G4, G5 and I1 customers). If the new job count associated with qualified new or expanded load falls below this level in any given month, no Jobs Creation Discount shall be applied for that month. The Jobs Creation Discount shall not apply to the Solar Surcharge, CEC fee, State Energy Tax or any other assessment or charge levied on electric bills after the effective date of this rate schedule unless specifically provided otherwise.

ENERGY EFFICIENCY DISCOUNT:

An EDR qualified customer may receive an additional five percent (5%) discount of the electric bill associated with the qualified new or expanded load if the new facilities constructed for the new or expanded load are awarded a Silver or higher "Leadership in Energy and Environmental Design" (LEED) designation. Following receipt of the applicable LEED certification, the additional discount shall become effective for the remainder of the EDR period.

ENTERPRISE ZONE DISCOUNT:

An EDR qualified customer may receive an additional five (5%) discount of the electric bill associated with the qualified new or expanded load if the new or expanded load are located within the boundaries of the City's Enterprise Zone as set forth at the time of customer application.

MAXIMUM DISCOUNT LEVEL:

In no event may a single new or expanded load receive a total discount in excess of twenty percent (20%) of the electric bill associated with the qualified new or expanded load.

MINIMUM LOAD ADDITION:

To qualify for the Economic Development Incentive Discount, the new or expanded load must be sized at or greater than the following:

G2	50 kilowatts (KW)
G3	50 KW
G4	100 KW
G5	200 KW
I1	200 KW

Customer must provide information satisfactory to EUD regarding the planned size of the new or expanded load. The new or expanded load eligible for an EDR shall be separately metered. If a customer's discounted load level falls below the applicable minimum level in any given month, no discount shall be applied for that month.

LOAD FACTOR:

Customer shall maintain a monthly load factor of at least **45** percent for the load receiving a discount. If the load factor falls below this level in any given month, no discount shall be applied for that month.

SCHEDULE I1 AMENDMENT

On the effective date of this Schedule EDR, the provision of the I1 Rate Schedule providing for a 10% discount in electric rates for twelve months if a customer adds 200 KW or more of electric load, shall be null and void.

TOURISM AND/OR WINE INDUSTRY BUSINESSES

QUALIFYING CUSTOMERS:

The EDR shall apply only to those new businesses that are substantially and directly related to tourism and/or the wine industry as determined by EUD. Examples of such businesses include those that are marketing Lodi and/or local wine products, hotel including bed and breakfast establishments, and restaurants, gift shops and boutique-type stores within **or** immediately adjacent to the downtown Lodi shopping district.

BASE DISCOUNT:

The Base Discount shall equal ten percent (10%) of the electric bill associated with the qualified new or expanded load. The Base Discount shall not apply to the Solar Surcharge, CEC fee, State Energy Tax or any other assessment or charge levied on electric bills after the effective date of this rate schedule unless specifically provided otherwise.

"GREEN" TECHNOLOGY BUSINESSES

QUALIFYING CUSTOMERS:

The EDR shall apply only to those new businesses that are substantially and directly involved in the development, marketing, sale, manufacturing and/or installation of green technology products and services as determined by EUD. Examples of such businesses include those directly involved in solar, wind, geothermal, biomass, and fuel cell industries. Green Technology Businesses that are otherwise eligible for an EDR Industrial Business discount may elect to apply for that discount in lieu of this Green Technology Business discount.

BASE DISCOUNT:

The Base Discount shall equal ten percent (10%) of the electric bill associated with the qualified new or expanded load. The Base Discount shall not apply to the Solar Surcharge, CEC fee, State Energy Tax or any other assessment or charge levied on electric bills after the effective date of this rate schedule unless specifically provided otherwise.

GENERAL PROVISIONS

LENGTH OF DISCOUNT:

As to any customer, the EDR shall apply for a period *of* thirty-six (36) months.

TERM **OF** EDR SCHEDULE:

This Schedule EDR shall be in effect until June 30, 2011 for new customers. Once a customer is placed on this rate schedule, however, that customer's discount shall be in effect for thirty-six (36) months unless terminated earlier as provided in this schedule.

IMPLEMENTATION:

EUD shall be responsible for establishing administrative rules and processes for administering this rate schedule. Customers shall provide information on a timely basis to enable EUD to verify eligibility and to administer the terms of this rate schedule.

SECTION 2. No Mandatory Duty of Care. This ordinance is not intended to and shall not be construed or given effect in a manner which imposes upon the City, or any officer or employee thereof, a mandatory duty of care towards persons or property within the City or outside of the City **so** as to provide a basis of civil liability for damages, except as otherwise imposed by law.

SECTION 3. Severability. If any provision of this ordinance or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of the ordinance which can be given effect without the invalid provision or

application. To this end, the provisions of this ordinance are severable. The City Council hereby declares that it would have adopted this ordinance irrespective of the invalidity of any particular portion thereof.

SECTION 4. All ordinances and parts of ordinances in conflict herewith are repealed insofar as such conflict may exist.

SECTION 5. This ordinance shall be published pursuant to law and shall become effective 30 days from the date of passage and adoption.

SECTION **6.** This amended Schedule referenced above shall be effective on applicable electric utility billings prepared by the City of Lodi on or after July **1,** 2009, or the first date allowable under State law.

Approved this —— day of April, 2009

LARRY D. HANSEN
MAYOR

ATTEST:

RANDI JOHL
City Clerk

State of California
County of San Joaquin, **ss.**

I, Randi Johl. City Clerk of the City of Lodi, do hereby certify that Ordinance No. ____ was introduced at a regular meeting of the City Council of the City of Lodi held April 1,2009, and was thereafter passed, adopted, and ordered to print at a regular meeting of said Council held _____, 2009, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

I further certify that Ordinance No. ____ was approved and signed by the Mayor on the date of its passage and the same has been published pursuant to law.

RANDI JOHL
City Clerk

APPROVED TO FORM:

D. STEPHEN SCHWABAUER
City Attorney

Public Hearing

Economic Development Rate (EDR)

City Council
April 1, 2009

Background

- There has been interest by industrial customers and the Chamber of Commerce for an economic development rate (EDR) discount for electric
- Presently there is an EDR as part of I-1 rate
  - 10% discount on incremental load (200 KW minimum) for 12 months
- EUD also had several EDR discounts during the 1996 to 2000 period
- Economic Development discount programs are relatively commonplace in electric industry

EDR Proposal

- Establish 3 economic development discounts:
  - Industrial
  - Tourism and Wine-Related Businesses
  - Green Technology Businesses

General

- 36 month discounts
- July 1 program start date
- Program available for 2 years (thru June 2011)
- Qualified business must file EDR application prior to taking electric service

Industrial

- Applies to new or expanded businesses
  - Industrial or manufacturing (i.e. no retail)
- G2 or larger customers
- Minimum additional load requirement
  - 50 KW (G2, G3)
  - 100 KW (G4, G5, I1)
- Load factor minimum of 45%

Industrial (continued)

- Base discount is 10%
- Additional discounts
  - 5% "job creations" discount
    - 25+ jobs for G2 customers
    - 50+ jobs for all others
  - 5% energy efficiency discount
    - LEED Silver designation
  - 5% Enterprise Zone discount
- Maximum discount is 20%

LEED

- “Leadership in Energy and Environmental Design”
- Green Building Rating System
- Established by U.S. Green Buildings Council
- Six areas of review including Sustainability, Water, Energy and Atmosphere, Indoor Environment, Materials & Resources and Innovation
- Rating levels include Platinum, Gold, Silver and Certified

Tourism and Wine

- Discount is 10%
- New businesses only
- Directly & substantially related to tourism and/or wine industries
- Some examples
  - Firm marketing Lodi and/or local wine products
  - Hotels including Bed & Breakfast establishments
  - Restaurants, gift shops and boutique-type stores
    - Located within or adjacent to downtown shopping district

Green Technology

- Discount is 10%
- New businesses only
- Directly & substantially related to development, marketing, sale, manufacturing and/or installation of green technology products and services
- Green technology examples include solar, wind, geothermal, biomass and fuel cells
- May apply instead for Industrial discount if otherwise qualified

Program Review

- Two year program
- Staff will review program effectiveness following 18 months of operation
- Results reported to City Council with recommendations
  - Extension w/o changes
  - Extension with modifications
  - Allow program to sunset as scheduled.

Average Rates

Rate	Average Revenue* (¢/kwh)
G1	17.5
G2	15.8
G3	14.8
G4	13.8
G5	11.3
I-1	10.1
Average	**13.57 ¢/kwh**

* FY 2008. Excludes surcharge revenue

Revenue in excess of Energy Cost

Rate	Non Energy Revenue (%)*
G1	46
G2	41
G3	37
G4	32
G5	19
I-1	18
Average	**22%**

* FY 2008.

Public Hearing

- Introduction of Ordinance establishing new electric Economic Development Rate – Schedule EDR
  - Establishes electric tariff titled “Economic Development Rate”
  - Amends I1 rate schedule to remove conflicting provision for 10% EDR discount

Please immediately confirm receipt of this fax by calling 333-6702

CITY OF LODI
P. O. BOX 3006
LODI, CALIFORNIA 95241-1910

ADVERTISING INSTRUCTIONS

SUBJECT **PUBLIC HEARING TO CONSIDER INTRODUCTION OF AN ORDINANCE AMENDING CHAPTER *13.20,* "ELECTRICAL SERVICE," BY ADDING A NEW SECTION *13.20.315* TITLED, "SCHEDULE EDR - ECONOMIC DEVELOPMENT RATES"**

PUBLISH DATE: **SATURDAY, MARCH *21,2009***

LEGAL AD

TEAR SHEETS WANTED: **One (1) please**

SEND AFFIDAVIT AND BILL **TO:**
RANDI JOHL, CITY CLERK
City of Lodi
P. O. Box 3006
Lodi, CA **95241-1910**

DATED: THURSDAY, MARCH **19,2009**

ORDERED BY:

RANDI JOHL
CITY CLERK

Jennifer M. Perrin
JENNIFER M. PERRIN, CMC
ASSISTANT CITY CLERK

MARIA BECERRA
ADMINISTRATIVE CLERK

Verify Appearance of this Legal in the Newspaper – Copy to File

LNS Faxed to the Sentinel at 369-1084 at 11:15am (time) on 3/19/09 (date) 2 (pages)
Phoned to confirm receipt of all pages at _____ (time) ___JMP ___MB ___CF (initials)

DECLARATION OF POSTING

PUBLIC HEARING TO CONSIDER INTRODUCTION OF AN ORDINANCE AMENDING CHAPTER 13.20, "ELECTRICAL SERVICE," BY ADDING A NEW SECTION 13.20.315 TITLED, "SCHEDULE EDR – ECONOMIC DEVELOPMENT RATES

On Friday, March 20, 2009, in the City of Lodi, San Joaquin County, California, a Notice of Public Hearing to consider introduction of an ordinance amending Chapter 13.20, "Electrical Service," by adding a new Section 13.20.315 titled, "Schedule EDR – Economic Development Rates" (attached and marked as Exhibit A) was posted at the following locations:

Lodi Public Library
Lodi City Clerk's Office
Lodi City Hall Lobby
Lodi Carnegie Forum

I declare under penalty of perjury that the foregoing is true and correct.

Executed on March 20, 2009, at Lodi, California.

ORDERED B Y

RANDI JOHL
CITY CLERK

JENNIFER M. PERRIN, CMC
ASSISTANT CITY CLERK

MARIA BECERRA
ADMINISTRATIVE CLERK

CITY OF LODI

Carnegie Forum
305 West Pine Street, Lodi

NOTICE OF PUBLIC HEARING
Date: April 1, 2009
Time: 7:00 p.m.

For information regarding this notice please contact:
Randi Johl
City Clerk
Telephone: (209) 333-6702

EXHIBIT A

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on **Wednesday, April 1, 2009,** at the hour of 7:00 p.m., or as soon thereafter as the matter may be heard, the City Council will conduct a public hearing at the Carnegie Forum, 305 West Pine Street, Lodi, to consider the following matter:

a) Introduce ordinance amending Chapter 13.20, "Electrical Service," by adding a new Section 13.20.315 titled, "Schedule EDR – Economic Development Rates"

Information regarding this item may be obtained in the Electric Utility Department, 1331 South Ham Lane, Lodi, (209) 333-6762. All interested persons are invited to present their views and comments on this matter. Written statements may be filed with the City Clerk, City Hall, 221 West Pine Street, 2nd Floor, Lodi, 95240, at any time prior to the hearing scheduled herein, and oral statements may be made at said hearing.

If you challenge the subject matter in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice or in written correspondence delivered to the City Clerk, 221 West Pine Street, at or prior to the close of the public hearing.

By Order of the Lodi City Council:

Randi Johl
City Clerk

Dated: March 18,2009

Approved as to form:

D. Stephen Schwabauer
City Attorney