

STAFF REPORT
City of Lancaster

NB 1
02/23/16
MVB

Date: February 23, 2016

To: Mayor Parris and Council Members

From: Barbara Boswell, Finance Director

Subject: Authorize City Manager to adjust the 2016 Lancaster Choice Energy (LCE) Market Demand Credit to Meet Established City Council Goals

Recommendation:

Adopt **Resolution No. 16-09**, authorizing City Manager to adjust the 2016 Market Demand Credit to meet City Council established savings goals; and require any adjustment be brought back to City Council for ratification at its next available, properly noticed, meeting.

Fiscal Impact:

The rates have been developed to generate revenues sufficient to cover annual expenses, fund a 10% operating reserve and financial stability reserve, while saving customers an average of 3% per kWh as compared to SCE.

Background:

At a public hearing held December 8, 2015, the City Council established rates for Lancaster Choice Energy customers, including a new 2016 Market Demand Credit. The purpose of the credit is to provide flexibility in adjusting the overall cost to customers for energy generation to maintain an average 3% savings when compared to Southern California Edison (SCE) energy generation rates.

The current rate setting environment for SCE is such that LCE is not provided more than a day or two notice of what SCE's actual rates to customers will be. This can result in LCE's rates not achieving the City Council's stated cost savings goals. Authorizing the City Manager to make adjustments to the 2016 Market Demand Credit will ensure that as SCE rates change, LCE's rate structure can also change in a timely fashion to achieve City Council established LCE savings goals.

The action provides a requirement that any adjustment be brought before the City Council for ratification at its next available meeting with the required noticing.

Attachment:

Resolution No. 16-09