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**Office of the
City Manager**

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Staff Report

ITEM
NO.

11

To: Lemoore City Council
From: Jason Shaw, Project Coordinator 
Date: October 7, 2008
Subject: Resolution 2008-55 – Proposition 7

Discussion:

The City of Lemoore has been approached by the “Californians Against Another Costly Energy Scheme” (Fact Sheet for Local Governments attached) to review Proposition 7 on the upcoming November ballot. Proposition 7, also known as The Solar and Clean Energy Act of 2008, seeks to supersede requirements placed on electricity providers via AB 32, which required Investor-owned Utilities (PG&E, SCE, etc.) to adhere to a Renewable Portfolio Standard (RPS). The RPS created by AB 32 required these utilities to increase their share of renewable based energy sources to 20% by 2010, and increase the share of renewable energy sources by 1% every year up to 2025. Proposition 7 would double this rate to 2% a year, effectively requiring all utilities, both Investor-owned and Publicly-owned, to meet the new RPS of 50% by 2025. Through Proposition 7, the Public Utilities Code will be amended to convey the abovementioned provisions, along with requiring these utilities to procure renewable energy resources, from viable providers, for up to 10% above the market price set by the California Energy Commission. Additional changes to the Public Utilities Code would allow these rates to stay in place until January 1, 2030. All rate increases are permissible to be recovered in rate increases. This leaves the door open for a 10% rate hike passed down to all customers of Publicly-Owned and Investor-Owned Utilities for over 22 years.

While organizations like the San Joaquin Valley Power Authority and the San Joaquin Valley Clean Energy Organization haven’t taken a position with respect to Proposition 7, current organizations that are opposed to Proposition 7: League of California Cities (*opinion attached*), California Taxpayers’ Association, California League of Conservation Voters, California Democratic Party, California Republican Party, Consumers Coalition of California, California Small Business Association, California Solar Energy Industries Association, the Center for Energy Efficiency and Renewable Technologies, the Environmental Defense Fund, the Natural Resources Defense Council, and the Union of Concerned Scientists.

A representative from “Californians Against Another Costly Energy Scheme” is expected to be present on Tuesday evening and give a short presentation. Resolution 2008-55 has been drafted and attached should the City Council wish to go on record opposing Proposition 7.

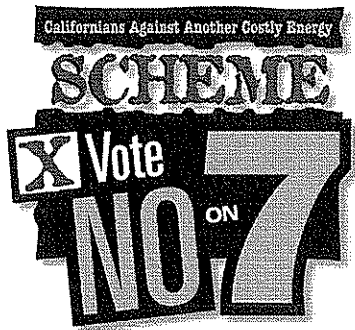
Budget Impact:

Per the non-partisan Legislative Analyst:

“Unknown impact on state and local government costs and revenues due to the measure’s uncertain impact on retail electricity rates. In the short term, the prospects for higher rates ... are more likely. In the long term, the impact on electricity rates, and therefore state and local government costs and revenues, is unknown.”

Recommendation:

Council’s Discretion.



www.NoProp7.com

NO on Proposition 7 Measure Bad for Local Governments and Their Residents

Prop. 7 is opposed by the League of California Cities, the California State Association of Counties, the California Municipal Utilities Association, California Special Districts Association and many other diverse organizations because it strips local governments of some of their land use authority and control of their energy resource mix, and will lead to higher electricity costs. Prop. 7 is also opposed by renewable power companies and environmental organizations who warn the measure is "fatally flawed" and will actually "slam the brakes" on renewable energy development in California. Prop. 7 was placed on the November ballot by an Arizona billionaire with no expertise in renewable power issues. Local governments oppose Prop. 7 because it will:

- **Usurp local land use authority.** Prop. 7 strips local governments of certain land-use authority relating to power plant siting and approval and hands it to the California Energy Commission (CEC). Additionally, Prop. 7 authorizes the state to cut down the time to 100 days in which local governments can file comments with the CEC on certain proposed power plant projects in their communities. Without sufficient time to submit comments, cities and counties could be forced to move forward with a project that doesn't coincide with their general plan. And since the CEC has exclusive jurisdiction over the siting of certain plants anyway, it's unclear whether they will have to consider local comments at all.
- **Eliminate local control over the best resource mix.** Publicly owned municipal utilities will be subjected to the renewable targets under this initiative, curtailing local control over the best resource mix for a municipal utility's customers. Municipal utilities currently evaluate renewable resources and how to best balance them with rates, reliability and financial resources.
- **Lead to higher electric bills for local governments.** Prop. 7 contains a provision that artificially increases the cost of power and virtually guarantees that electricity consumers will pay 10% above market rates for renewable power forever -- even when the costs of solar and wind sources become more competitive. The cost of energy is one of the largest expenses for local governments. **Economists estimate that by 2025, when the initiative is fully implemented, Prop. 7 will increase electricity costs for state and local governments by \$874 million annually and lead to a loss of revenue for local governments of \$216.4 million annually.** Furthermore, the non-partisan Legislative Analyst cautions that, "...the prospects for higher electricity rates are more likely in the short term..." and the initiative might "...also lead to higher long-run electricity rates." In addition, nothing in the text of Prop. 7 limits increases in electric bills to 3% like proponents claim. Even the Legislative Analyst warns that "*the measure includes no specific provisions to implement or enforce this declaration.*"
- **Force small wind and solar companies out of the market.** Prop. 7 contains a "competition elimination" provision that forces smaller renewable energy companies out of California's market. It excludes power from renewable plants smaller than 30 megawatts from counting toward the new requirements. Today, nearly 60% of contracts under California's renewable requirements are with these small providers. That's why the California Solar Energy Industries Association warns: "*Proposition 7 would devastate California's small solar businesses by forcing us out of the market -- eliminating a major source of clean power and thousands of jobs.*"

California Needs More Renewable Energy, NOT Higher Bills & Another Energy Crisis.

California leads the nation with tough, clean energy standards that require utilities to use significantly more renewable power. Prop. 7 will jeopardize this progress and disrupt renewable power development. What's worse, if passed by voters, no changes can be made to this law without another vote of the people or 2/3 of the legislature. Further, Prop. 7 creates new market conditions ripe for manipulation, much like those that caused the last energy crisis. Electricity consumers are still paying almost \$1 billion each year -- nearly \$100 for every electricity customer -- to pay off the last energy crisis. The last thing we need is a poorly written measure that will lead to higher electric bills and possibly even another energy crisis.

Paid for by Californians Against Another Costly Energy Scheme - No on 7,
major funding from PG&E Corporation and Southern California Edison Company,
a coalition of environmentalists, renewable energy companies, taxpayers, and labor
Phone 866-811-9255 Fax 866-811-9258 www.NoProp7.com

PRIORITY FOCUS



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League Opposes Energy Initiative on November Ballot "Solar and Clean Energy Act" Could Thwart Efforts to Secure More Renewable Power and Would Undermine Local Control

A growing coalition that includes local governments, renewable energy providers, environmentalists, business and labor leaders have opposed the Solar and Clean Energy Act of 2008. The initiative qualified June 2 for the November 2008 ballot. For cities, one of the most significant issues is that, if passed, this measure would significantly erode local control over the permitting of new power plants. The measure could also undermine the ability of municipal and local government-run utilities to determine the power portfolio appropriate for their customers.

The League's board of directors voted unanimously to oppose the initiative at its April meeting in Sacramento.

While all these groups, including the League, support efforts to move to more renewable supplies of power, environmental and energy experts warn that significant drafting flaws could actually thwart clean power development by locking into law barriers to renewable development, and could result in rate increases for all consumers.

The initiative would require all utilities, including municipal utilities, to provide 50 percent of power from renewable sources by 2025, without truly addressing existing barriers to renewable development, including transmission development.

Current California law provides for the most aggressive targets in the nation, requiring that by 2010, 20 percent of electricity must come from a renewable source. State agencies and Gov. Arnold Schwarzenegger have established a 33 percent target by 2020.

Some of the key problems the League has identified with the Solar and Clean Energy Act of 2008 are:

Preempts Local Land Use Authority: The initiative would reassign permitting authority from local governments to the California Energy Commission (CEC) to approve solar and clean energy plants and related facilities. Local agencies would have 100 days after a project application is filed with CEC to provide final

Committee, or Ask
League Leg Staff

comments, determinations, or opinions to CEC. It is unclear whether the Commission has any obligation to defer to a city's determination, for example, what happens when a plant location does not comply with the city's General Plan.

Removes Local Control Over Resource Mix: Existing law in the Public Utilities Code encourages municipalities who own utilities to consider renewable energy, while taking into consideration rates, reliability, financial resources, and the goal of environmental improvement. The initiative would remove local control over local decisions on resource mix and may impact a utility's financial resources. Also, as technologies become cheaper and more efficient, there is nothing in this existing code section that would prevent a government-owned utility from making the decision to switch technologies or pursue a different resource mix.

The diverse group of organizations that oppose this measure include: the Natural Resources Defense Council, the California League of Conservation Voters, the California Small Business Association, California Municipal Utilities Association, Coalition of California Utility Employees, International Brotherhood of Electrical Workers, Locals 47, 1245 and 9th District, California Chamber of Commerce, PG&E, Sempra, Southern California Edison and the California Solar Energy Industries Association.

The League will continue to monitor the Solar and Clean Energy Act of 2008 and will provide updates through the League's Web site and *Priority Focus*.

[PRINTER FRIENDLY VERSION]

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E-MAIL TO A COLLEAGUE



RESOLUTION NO. 2008-55

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMOORE
IN SUPPORT OF ASSEMBLY OPPOSING PROPOSITION 7, THE SOLAR AND
CLEAN ENERGY ACT OF 2008**

At a Regular Meeting of the City Council of the City of Lemoore duly called and held on October 7, 2008 at 7:30 p.m., it was moved by Council Member _____, seconded by Council Member _____ and carried that the following Resolution be adopted:

WHEREAS, Proposition 7 strips existing permitting authority away from cities and counties for the approval of certain renewable energy plants and related infrastructure, and gives that authority to the California Energy Commission; and

WHEREAS, Proposition 7 also authorizes the state to cut down the time to 100 days in which local governments can file comments on certain proposed power plant projects in their communities and it's questionable whether the CEC even has to accept or respond to local concerns; and

WHEREAS, the initiative will also negatively impact local governments, community choice aggregates and municipal utilities in California by imposing new statewide, top-down mandates for renewable power that are inflexible and greatly erode local officials' ability to determine the right energy resource mix for their customers; and

WHEREAS, Proposition 7 contains a provision that artificially increases the cost of power and virtually guarantees that electricity consumers will pay 10% above market rates for renewable power until January 1, 2030 -- even when the costs of solar and wind sources are currently becoming more competitive.

WHEREAS, opponents of Proposition 7 have estimated that Proposition 7 will increase electricity costs for local governments by \$704 million annually; and

WHEREAS, California recently announced a world-leading plan, via AB 32, to combat global climate change that includes strong new requirements that are already resulting in the use of more renewable power sources; and

WHEREAS, a broad coalition of environmental organizations, local governments, business organizations, taxpayer groups, organized labor and others have come together in opposition to Prop. 7, and have formed a coalition called "Californians Against Another Costly Energy Scheme".

NOW, THEREFORE, BE IT FURTHER RESOLVED, that the City of Lemoore City Council hereby opposes Proposition 7 on the November 2008 ballot.

BE IT FURTHER RESOLVED that we hereby authorize the listing of the City of Lemoore in formal opposition of Proposition 7 and as a member of Californians Against Another Costly Energy Scheme.

PASSED AND ADOPTED at a Regular Meeting of the City Council of the City of Lemoore held on the 3rd day of June, 2008 by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

APPROVED:

John F. Murray, Mayor

ATTEST:

Nanci C.O. Lima, City Clerk

CERTIFICATE

STATE OF CALIFORNIA)
COUNTY OF KINGS) ss.
CITY OF LEMOORE)

I, Nanci C. O. Lima, City Clerk of the City of Lemoore do hereby certify the foregoing Resolution of the City Council of the City of Lemoore was duly passed and adopted at a Regular meeting of the City Council of the City of Lemoore called and held on June 3, 2008.

Dated:

Nanci C. O. Lima, City Clerk