

From: Cherry, Brian K
Sent: 6/21/2012 8:09:51 AM
To: Paul Clanon (paul.clanon@cpuc.ca.gov); Edward F.' Randolph (edward.randolph@cpuc.ca.gov)
Cc:
Bcc:
Subject: Fwd: TS - Arcata Council Pushes Electricity Tax Forward
FYI. This may become a bigger issue in the future.

Begin forwarded message:

From: News Flash <newsflash@pge.com>
Date: June 21, 2012 7:34:24 AM PDT
To: Real time PG&E coverage {PG&E Internal - #PRIVATE#} <Newsflash-Real-Time@pge.com>
Subject: TS - Arcata Council Pushes Electricity Tax Forward
Reply-To: <newsflash@pge.com>

The Arcata City Council will vote July 11 on its proposed tax on residents with unusually high energy use. PG&E's Alison Talbott was quoted.

**Arcata Council Pushes Electricity Tax Forward
Will Go to Next Meeting for Final Approval**
By Grant Scott-Goforth
Times-Standard, June 21, 2012

The Arcata City Council advanced a residential high energy use tax, placing it on the next council meeting consent calendar for final approval.

The council voted unanimously, with Councilman Mark Wheatley absent, to continue the item and allow time for staff to develop language for the tax. The council must approve the tax at its July 11 meeting in order for it to appear on the November ballot.

The council based details of the tax on recommendations from a Pacific Gas and Electric Company representative who met with city staff and some council members last week.

With a deadline for the tax looming, Vice Mayor Shane Brinton said the

suggestions caused concern.

"I'm a little bit frustrated that they came in with a new proposal at the 11th hour," Brinton said at Wednesday's meeting.

PG&E government relations representative Alison Talbott also spoke at Wednesday's meeting.

"PG&E is aware that Arcata faces a challenge," **Talbott** said. "As the idea filtered through the company, it became clear that there were risks about the tax as presented."

The currently proposed tax would charge residential customers who exceed 600 percent of a PG&E-defined baseline an additional 45 percent on their entire bill. The tax would include a medical baseline exemption and would have a 12-year sunset period.

PG&E representatives verbally estimated the cost of implementing the tax at \$650,000, but Councilwoman Alex Stillman asked **Talbott** to look into lowering that cost. **Talbott** said she would share Stillman's request for a lower implementation fee with PG&E staff.

Based on 2011 numbers, the revenue to the city would be approximately \$1.2 million.

Discussion of the tax led the council to agree that exemptions for small businesses and large families would be difficult for the city to administer.

"We currently don't have the ability to enforce these things," City Manager Randy Mendosa said. "There's some murky water there for your staff to try and do that."

PG&E also said that the 600 percent over baseline number is currently being discussed between the company and the California Public Utilities Commission as a state guideline for what constitutes excessive residential electricity usage.

City Attorney Nancy Diamond suggested that if that is accepted as a state guideline, it could protect the city from litigation.

"Arcata's commitment to energy policy bodes well for support of the tax," Diamond said.

Diamond also said that a flat utility users tax -- as opposed to a 15-cents-per-kilowatt-hour charge previously proposed -- had legislative precedent in the state.

"It's OK for cities to be charging flat utility users tax rate," Diamond said.

Vice Mayor Shane Brinton said he had concerns about switching from a per-kilowatt-hour tax to a 45 percent tax on the entire bill for excessive users because of voter psychology.

Though the 45 percent tax is approximate to the per-kilowatt tax in cost to users, Brinton said voters may bristle at the tax even though only 633 of approximately 9,500 residential meters in the city exceeded 600 percent of baseline in 2011.

The tax will return on the council's July 11 consent calendar for final approval.

In other business, the council voted unanimously to adopt a 2012-2013 fiscal year budget.

Finance Director Janet Luzzi said the dissolution of the city's redevelopment agency was the city's major hurdle, but they were able to balance the budget using \$15,000 from the city's general fund, a reduction in the central garage fund and repayment of a loan taken by the state of California.

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