



**STAFF REPORT**  
**11/13/2019**

**TO:** Honorable Mayor and City Council Members

**FROM:** William B. Pattison, Jr., City Manager

**SUBJECT:** Adopt Resolution No. 2019-62 Authorizing the Formation of a Municipally Owned Utility and Delegate Authority to the City Manager to Execute a Letter of Intent with Lamb Energy, Inc.

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**STAFF RECOMMENDATION:**

Staff recommends that the City Council adopt Resolution No. 2019-62 authorizing the formation of a municipally owned utility for the purpose of providing electrical power to limited areas of the City, as needed. Staff recommends that the City Council delegate the authority to the City Manager to execute the attached Letter of Intent with Lamb Energy, Inc., as approved to form by the City Attorney.

**EXECUTIVE SUMMARY:**

By law, municipalities are allowed to form municipal utilities for the purpose of providing certain commodities to their residents and businesses, such as electricity, telecommunications, cable television, water, natural gas and sanitary sewer. In some cases, this has proven advantageous, particularly from an economic development perspective. Municipalities have been able to provide services to new development and under-served areas for power within their cities, providing lower utility rates, rate stability and local revenue generation.

Staff proposes to form a municipal utility to provide electrical power to limited areas in the City, as determined on a case-by-case basis. The City has been working with the Imperial Irrigation District (IID) and Lamb Energy to provide additional power to the Auto Wrecking Zone and Industrial Zone in the City. The City desires to examine the development of electrical power facilities in other undeveloped or under-served areas within the City, as needed. Staff recommends forming a municipal utility to serve electric power where it may be needed. Staff recommends executing a Letter of Intent with Lamb Energy to facilitate planning and development by the municipal utility.

**BACKGROUND:**

The City has been working with IID and Lamb Energy to provide additional power to the Auto Wrecking Zone and Industrial Zone in order to serve prospective commercial and industrial uses in these areas. The City has previously entered into a project agreement with affiliates of Lamb

Energy that would have constructed an electrical substation and other facilities to be interconnected to IID's transmission system.

Staff continues to work with IID and Lamb Energy on facilitating power to the Auto Wrecking Zone and Industrial Zone. Staff desires to explore the development of electrical power facilities in other undeveloped areas, as needed, and believes there are economic advantages to forming a municipal utility. Construction of electrical generating facilities can provide power to new development and under-served areas, providing for economic development of industrial and commercial uses and a revenue source to the City.

### **DISCUSSION/ANALYSIS:**

A number of local communities have undertaken the consideration and/or formation of municipally owned utilities. Some cities provide electric power to their residents and businesses city-wide while others have formed municipal utilities to serve particular retail, commercial or industrial developments, particularly where there is a need for power by new development or in an under-served area.

Staff has been in active discussions with IID and Lamb Energy to provide power to the City's Auto Wrecking Zone and Industrial Zone. Staff recommends formation of a municipal utility to serve these areas as well as examining additional undeveloped or under-served areas within the City. Staff also recommends adoption of a Letter of Intent with Lamb Energy to facilitate the planning and construction of the necessary electrical facilities and infrastructure needed to provide electric service. Staff will continue to review and research all options available to the City and may adjust the service areas of the municipal utility as needed. The setting and imposing of rates by the municipal utility does not require approval from the California Public Utilities Commission.

In order to facilitate the planning and development of the City's undeveloped and under-served areas, staff desires to execute a Letter of Intent with Lamb Energy. The Letter of Intent will commit the City to work collaboratively with Lamb Energy for 12 months on identifying the necessary project infrastructure and design, construction and financing mechanisms to provide the necessary electrical power to serve certain areas of the City.

### **ALTERNATIVES:**

1. Adopt Resolution No. 2019-62 authorizing the formation of a municipally owned utility to provide electrical service as may be deemed necessary. Delegate authority to staff to the City Manager to execute the attached Letter of Intent with Lamb Energy, Inc., as approved to form by the City Attorney. Staff recommends this option. This alternative will provide a municipally owned utility framework that will allow for implementation of actual services to new development and under-served areas for power, as needed by the City.  
Do not adopt Resolution No. 2019-62 authorizing the formation of a municipally owned utility to provide electrical service as may be deemed necessary. Do not delegate authority to the City Manager to execute the attached Letter of Intent with Lamb Energy, Inc., as approved to form by the City Attorney. Staff does not recommend this option. The ability to

effectively address certain utility delivery in the future may limit the City's ability to foster economic development, rate stability and rate savings in new development and under-served areas for power.

**FISCAL IMPACT:**

The creation of a municipally owned utility does not create any financial obligation or commitment until such time as the City Council, acting as the authority, elects to take action on future electric service. Approval of the Letter of Intent does not place any financial obligation on the City as the City and Lamb Energy are agreeing to continue discussions on the development of electrical facilities and infrastructure within the Auto Wrecking Zone and Industrial Zone. When required, capital improvements would be subject to the terms and conditions of a project agreement and other necessary documents upon identification of a particular project to serve these areas. No funds are being requested at this time.

**RECOMMENDED ALTERNATIVE(S):**

Staff recommends that the City Council adopt Resolution No. 2019-62 authorizing the formation of a municipally owned utility to provide electric services, as needed. Staff recommends that the City Council delegate the authority to the City Manager to execute the attached Letter of Intent with Lamb Energy, Inc., as approved to form by the City Attorney.

Attachments: City Map



