MEASURE I

AN INITIATIVE ESTABLISHING AN EXCESSIVE RESIDENTIAL ELECTRICITY USERS TAX

IMPARTIAL ANALYSIS BY CITY ATTORNEY, CITY OF ARCATA

Measure I would impose a 45% tax on excessively high residential electricity usage, pursuant to City of Arcata Resolution No. 112-52. The tax would be imposed only on residential usage which exceeds 600% over the established "baseline allowance."

The "baseline allowance" is established by the California Public Utilities Commission (CPUC) in order to ensure a low cost to residential users for a minimum quantity of electricity. It reflects an average quantity of residential electricity use measured in kilowatt hours (kWh) of electric power. The CPUC designates the "baseline allowance" for specific climate-based regions within the different service territories.

The average residential household use in Arcata uses 5,868 kWh per year. Electricity usage at 600% over the "baseline allowance" equals more than three times this average usage. Out of a total 9,500 residential meters in Arcata, 633 meters exceeded 600% over the "baseline allowance" in 2011 and would have been subject to the tax if it had then existed.

The Measure proposes an exemption for those on an extended "medical baseline," which is an extra allowance of electricity at the lowest billing rate established by the CPUC for residential users who rely on life support equipment, who have life threatening illnesses, or who have compromised immune systems. No exemption would be provided to low-income residential customers.

The tax is consistent with the City's Community Greenhouse Gas Reduction Plan which established a greenhouse gas emission target of 20% below 2000 emission levels to be achieved by 2012. Emission inventories completed for years 2000 and 2006 indicate that residential electric use in Arcata increased by 30% per year over this time period. The City's Greenhouse Gas Reduction Plan includes implementation measures to conserve or reduce electrical energy including encouraging adjustments to personal behavior and living patterns.

Based on 2011 usage data, the tax would net approximately $1,249,000 per year, and is expected to decrease over time as residential customers implement energy efficient measures. PG&E would be responsible for collecting the tax and remitting it to the City as it does currently with the City's 3% utility users tax. PG&E estimates its cost to the City to implement the Excessive Electricity Users Tax to be a one-time amount not to exceed $650,000.

If approved by a majority of the voters at the November 6, 2012, election, the ordinance would go into effect upon adoption. There will be an unspecified delay before the tax is charged to and collected from residential users to allow PG&E to implement its collection procedures. The tax will automatically terminate 12 years after its adoption.

A **YES** vote approves the measure.
A **NO** vote rejects the measure.

Respectfully submitted,

/s/ Nancy Diamond
City Attorney, City of Arcata

435 words