

CITY OF MESA



MODIFICATION OF ELECTRIC ECONOMIC DEVELOPMENT & RETENTION RATE SCHEDULE (E3.6)

ENERGY RESOURCES DEPARTMENT

FEBRUARY 19, 2015

BACKGROUND

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- E3.6, Mesa's Electric Retention/Economic Development Rate adopted in 2009 in close coordination with Economic Development & Budget Depts.
 - A very large electric customer explored moving to non-Mesa location.
 - Significant electric utility revenue loss.
 - Significant loss of other forms of revenue & economic activity.
- E3.6 developed to provide incentive to retain operations in Mesa.
 - Reduction in rate for energy usage for commercial customers.
 - Eligibility Requirements
 - Minimum of 250,000 kWh per month (Average).
 - Customers enter into an agreement with City to:
 - Retain business operation in the City and maintain consumption for 5 years.
 - Use reasonable efforts to increase number of jobs in Mesa.
 - Customer provided financial instrument to protect City from default under agreement.
- Result - E3.6 eliminates/delays relocation or discontinuation of Mesa operations.

COUNCIL COMMITTEE DIRECTION & STAFF RECOMMENDATION

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- Staff presented E 3.6 to Economic Development committee on December 1, 2014.
 - No proposed changes to the \$/kWh rates in E3.6
 - Direction - develop specific Economic Development criteria for eligibility.
- Recommendations to Audit, Finance & Enterprise Committee on January 12, 2015
 - Reported findings of research - broad spectrum of criteria.
 - Reduce minimum consumption to 200,000 kWh per month;
 - Add eligibility based on capital investment and job creation for new or expanding customers

PROPOSED MODIFICATIONS

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- Reduction in minimum consumption – 2.4 million kWh/year (200,000 kWh per month).
 - (Expanding/new customers eligible if minimum consumption projected to be met within 2 or 3 years respectively).
 - Consolidation of meters on premises to meet consumption eligibility requirements (clarification).
- Add eligibility based on:
 - addition of 5 FTE per 100 kW of new electric demand; or
 - minimum of \$500,000 Capital Investment at the qualifying premises.
- Initial term of 5 years.
 - 1 year extensions (with relaxed criteria).
- Conforming edits and revisions related to existing eligibility.

QUESTIONS?