



DATE: March 9, 2026

TO: City of Lompoc Utility Commission

FROM: Michael Luther, P.E., Utility Director, City of Lompoc
Steven Valle, Electric Regulatory Compliance Coordinator, City of Lompoc

RE: Electric Regulatory Compliance Update and March 3 City Council Solar Mandate Item

1. Recent ERCC Activities Since the Last Utility Commission Meeting

Since the last Utility Commission meeting, the following activities have been completed or advanced:

Regulatory Compliance & Reporting

- Consigned Greenhouse Gas (GHG) allowance credits for sale at the upcoming California–Quebec Cap-and-Invest auction on May 20.
- Reported generator run times to the Santa Barbara County Air Pollution Control District.
- Submitted the 2025 Annual Report to APCD for the grant-funded EV chargers at the Corporate Yard.
- Submitted an edited SB 1037 report to NCPA/CMUA for joint submission to the California Energy Commission (CEC).
- Reviewed and submitted comments on a new LCFS reporting template.
- Reviewed the April 2026 Resource Adequacy filing submitted to California Independent System Operator (CAISO) by Northern California Power Agency (NCPA).

Interconnection & Customer Support

- Routed interconnection agreements and prepared Permission to Operate (PTO) letters for recently installed solar systems, including the first system at the River Terrace development.
- Assisted a customer with transferring a solar interconnection agreement following a home sale.
- Responded to multiple solar interconnection inquiries and spoke with local installers regarding City requirements.

Grants & Strategic Funding

- Prepared and submitted FY27 Community Project Funding request letters and solicited support letters for federal submission.
- Prepared and submitted a grant budget amendment request to the Community Environmental Council for the GLI project.
- Attended a federal appropriations briefing to identify potential funding sources for energy and resilience initiatives.
- Met with Community Development staff regarding grant reimbursement for two active grant-funded projects.

Regional & Interagency Coordination

- Coordinated, attended, and supported a regional electricity resilience tabletop exercise hosted by Converge Strategies with partners including Vandenberg Space Force Base (VSFB), FCC-Lompoc, PG&E, and community stakeholders.
- Attended the Air and Space Force Defense Community Council (ADC) meeting.
- Attended the VSFB mission update briefing at the DeWees Center.
- Participated in OLDCC project coordination meetings with Converge Strategies and SONRI.
- Discussed the OLDCC housing component with an interested developer.

Utility & Industry Engagement

- Attended NCPA meetings, including the Pooling Committee, Legislative & Regulatory Committee, Transportation Electrification Working Group (TEWG), and CT2 agreement discussions.
- Attended CMUA Regulatory & Legislative Committee meetings, Physical Security Working Group, and Wildfire Preparedness Working Group.
- Met with ABM Solutions regarding upcoming Lompoc Unified School District solar projects and feasibility analyses.
- Continued work on renewal of the Caltrans encroachment permit.
- Conducted regular coordination meetings with Qualus and Electric Division staff.
- Routine regulatory compliance, stakeholder coordination, and strategic planning activities continue as required.

2. March 3, 2026 City Council Item – Petition to the California Energy Commission

On March 3, 2026, staff supported a City Council agenda item proposing that the City petition the California Energy Commission to allow Lompoc to implement a local exemption or in-lieu process related to the 2025 Energy Code solar and battery mandate for new construction.

Background

The 2025 Energy Code requires new residential construction to include both photovoltaic (PV) solar and battery energy storage systems (BESS). The State’s cost-effectiveness model assumes that homeowners offset electricity costs at the full retail rate (~\$0.20/kWh), and that self-consumed solar energy is effectively “free.”

In Lompoc’s case, this assumption does not hold due to the City’s rate structure. While the retail rate is approximately \$0.20/kWh, the cost to use self-generated solar power reflects the generation component (~\$0.13/kWh). This results in actual homeowner savings of approximately \$0.07/kWh—significantly lower than the State model assumption.

Under these local conditions, the mandate is not cost-effective for Lompoc homeowners.

Homeowner Financial Impact

A typical new home system (PV + BESS) is estimated at:

- System principal cost: ~\$25,000
- Mortgage interest over 30 years (5%): ~\$23,190
- Total homeowner repayment: ~\$48,190

By comparison, the estimated lifetime energy benefit is approximately \$8,832. This represents a potential net financial loss approaching \$40,000 per homeowner when financed through a mortgage.

Community-Wide Impacts

Housing Affordability: If applied to approximately 2,000 new homes, the projected cumulative net loss could total approximately \$78.7 million—representing a significant wealth transfer from new Lompoc homeowners.

Utility Financial Stability: If protective rate structures were altered to align with State modeling assumptions, the utility could face an estimated \$610,000 annual revenue shortfall due to reduced kWh sales margin. That deficit would ultimately be borne by existing customers through higher rates.

Proposed Alternative – In-Lieu Fee Structure

Staff presented a conceptual alternative based on actual avoided wholesale cost:

- Typical annual on-site generation: ~4,851 kWh

- Lompoc avoided wholesale cost: ~\$0.16/kWh
- Estimated annual system benefit to the utility: ~\$776

Based on this methodology, staff proposed consideration of an optional in-lieu fee:

- Proposed fee: \$950 per kWdc
- Typical system size: 3.0 kWdc
- Estimated in-lieu fee: \$2,850

This approach would align financial obligations with measurable system benefit while preserving local rate stability and housing affordability.

3. Upcoming Priorities and Items on the Electric Regulatory Compliance Radar

WREGIS Solar Reporting

Implementation of reporting eligible solar generation to the Western Renewable Energy Generation Information System (WREGIS) remains a priority to ensure renewable attributes are properly certified and applied toward Renewable Portfolio Standard compliance.

City–LUSD Solar Collaboration

Continued coordination with Lompoc Unified School District and ABM Solutions to evaluate joint solar project opportunities, including site feasibility, load analysis, and funding alignment.

VSFB Coordination

Ongoing engagement with Vandenberg Space Force Base partners to support energy resilience, infrastructure planning, and Military Installation Readiness initiatives.

Lompoc Valley Medical Center EV Infrastructure

Advancement of coordination on a proposed joint EV charging project to expand public charging access and support regional transportation electrification.

123 North H Street EV Charger Project

Following bid closure, staff are currently overseeing bid review, contractor selection, and project implementation steps to expand the City's charging network.

The ERCC will continue prioritizing regulatory compliance, strategic energy planning, grant execution, interagency coordination, and infrastructure development to support reliable electric service, cost stability, and long-term utility sustainability.