

# **Ordinance Fact Sheet**

TO:

CITY COUNCIL

DATE:

January 15, 1998

FROM:

CITY MANAGER

SUBJECT:

AMENDMENT TO THE LIGHT AND POWER RATE ORDINANCE.

CHAPTER 13.04 OF THE PASADENA MUNICIPAL CODE, TO AUTHORIZE

COLLECTION OF THE STRANDED INVESTMENT SURCHARGE BY

CUSTOMER CONTRACT.

# TITLE OF PROPOSED ORDINANCE:

An Ordinance of the City of Pasadena amending the Light And Power Rate Ordinance, Chapter 13.04 of the Pasadena Municipal Code, to authorize collection of the stranded investment surcharge by customer contract.

# PURPOSES OF THE ORDINANCE:

The stranded investment surcharge ("SIS") went into effect on November 14, 1997 as Section 13.04.176 of the Pasadena Municipal Code. Under this ordinance, each customer pays a fixed \$0.0137 per kWh delivered to the customer until July 1, 2002.

The proposed ordinance would allow customers the flexibility of entering into a contract to establish an individual SIS payment schedule. Thus, rather than making its SIS payment based on a kWh delivered basis, this ordinance will permit a customer to adjust the timing of its SIS payments according to its needs, such as its business cycle. Contractual SIS payments would be calculated so as to make the Light and Power Fund indifferent to the timing of the receipts.

In exchange for such flexibility, the customer must commit to remain an energy requirements city customer for the term of the contract and to furnish a performance bond or suitable equivalent financial guarantee.

#### REASONS WHY LEGISLATION IS NEEDED:

Charges for electrical energy must be prescribed by ordinance pursuant to Charter Section 1403.

MEETING OF \_\_\_1/26/98

AGENDA ITEM NO. 5.B.3.a.

## PROGRAMS, DEPARTMENTS OR GROUPS AFFECTED:

All customers taking service under Schedules G-1, G-2, P, and T (which includes general fund departments and the water division) will be eligible. These are the department's commercial, industrial and institutional customer classes.

## FISCAL IMPACT:

The timing of the receipt of the SIS will be changed according to the terms of the contract. An estimated seven (7) percent interest rate per annum will be charged to compensate for the changes in payment timing. The actual interest rate charged will be equal to the rate of return on the reserve for stranded investment plus one (1) percent for administrative fees. The rate will be reviewed on a quarterly basis. The minimum interest rate per annum will be six (6) percent. The contract payment will be calculated so as to make the Light and Power Fund indifferent to such timing. Payment security will be required. Due to these factors, no fiscal impacts are expected.

There is a positive fiscal impact resulting from retaining customers who would otherwise choose an alternate energy supplier when eligible for direct access; however, such fiscal impact cannot be accurately estimated at this time.

# **POLICY CHANGES:**

No policy changes result from the proposed ordinance since it will serve to enhance the Light and Power Fund ability to retire stranded investment in a timely manner. This action will extend the list of areas in which the general manager is authorized to sign contracts.

Respectfully submitted,

PHILIP A. HAWKEY City Manager

y M. Goldstone

Director of Finance

Reviewed by:

Prepared by:

M-Kabirr M.O. Faal بهرار

Assistant General Manager

Water and Power Department

Approved:

Rufus Hightower General Manager

Water and Power Department