

Agenda Report

April 23, 2001

TO: City Council
THROUGH: Deregulation Committee

FROM: City Manager

SUBJECT: Authorize the General Manager of the City of Pasadena's Water and Power Department to enter into a contract with the Building Owners and Managers of Greater Los Angeles (BOMA) and the RAND Corporation (RAND) for non-PBC funded energy conservation programs

RECOMMENDATION

It is recommended that the City Council authorize the General Manager of Pasadena Water and Power (PWP) to enter into a contract without competitive bidding pursuant to the City Charter section 1002 (F) contracts for professional or unique services with BOMA and RAND, both non-profit corporations, to assist customers in reducing electrical consumption in Pasadena through installation of energy saving devices. The objective of this program is to achieve a sustainable 10-20 MW reduction in peak electric demand and associated energy by June 2002, with additional incentives to maximize the program impact by June 30, 2001.

It is further recommended that the City Council authorize recovery of these costs through the Energy Cost Adjustment Charge (ECAC).

Grant this contract an exemption from the Competitive Selection process of the Affirmative Action in Contracting Ordinance, pursuant to Pasadena Municipal Code Subsection 4.09.060 (C) Contracts for which the Cities best interests are served.

BACKGROUND

California is experiencing a severe energy shortage that is adversely impacting PWP customers through increased costs for purchase power and natural gas, and also increased likelihood of rolling blackouts to support the statewide grid during system emergencies, such as those experienced on March 19th and 20th of this year.

Pasadena Water and Power is aggressively pursuing a number of programs to reduce the impacts of California's energy shortages on Pasadena customers and benefit the state. These programs include intensified energy conservation programs, including increased electric energy efficiency rebates and rate discounts, pursuing curtailable load agreements with customers, and seeking ways to utilize new and existing back-up generators. Collectively and individually, these programs will provide direct benefit to PWP customers through lower energy costs and higher reliability.

The recommended contract with RAND/BOMA is designed to assist commercial customers with procuring and installing energy saving equipment. This will be a highly accelerated incentive and technical assistance program with the objective of reducing Pasadena's peak electric demand by 10-20MW this summer. A copy of the proposal from RAND/BOMA is attached.

Under the proposed contract, RAND/BOMA will pay all up-front costs, utilize their extensive staff resources, industry contacts and knowledge to rapidly implement energy efficiency programs that compliment PWP's existing programs funded by the Public Benefits Charge. PWP will compensate RAND/BOMA only for measurable and demonstrated energy savings associated with each project they implement. Initially, compensation will be at the rate of either \$650/kw or 14¢/kWh (depending upon project characteristics) to encourage participation prior to this summer. After June 30, 2001, compensation will be reduced to \$580/kw or 12.5¢/kWh.

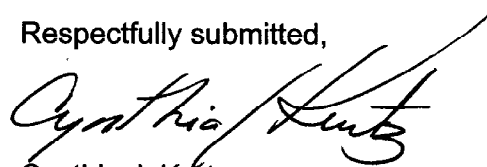
The costs of this program will be treated as a purchased power expense and collected through ECAC revenues. Because the alternative sources of energy currently cost two to four-times as much as the payment to RAND/BOMA, this program will not increase energy rates for any customer.

FISCAL IMPACT

The estimated \$7 to 14 million cost of this program will be recovered from ECAC revenues, and thus have no net impact on the PWP or the City. The program will result in reduced energy consumption and associated electric revenues. The exact impact of this program will depend entirely on the effectiveness of the program. Participating customers will benefit from a reduction in bills, and non-participating customers will benefit from lower overall procurement costs that may reduce the ECAC by 2%-10% from what it would be without the program.

Assuming that a 5% average system-wide load reduction results from this program (about 15MW), annualized savings in energy procurement will be about \$15 million per year at current wholesale market rates, and result in reducing the average ECAC rate for all customers by about 2.5%. The reduced sales will cause base rate revenues to decline at an annualized rate of \$2 million per year, PBC revenues at \$150,000/year, and ECAC revenues will decline by the avoided \$15 million in purchased power costs.

Respectfully submitted,



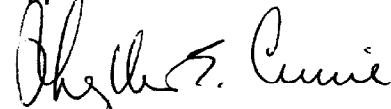
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