

Agenda Report

October 22, 2001

TO: City Council
THROUGH: Municipal Services Committee

FROM: City Manager

SUBJECT: Extension of Voluntary Load Curtailment Program

RECOMMENDATION:

It is recommended that the City Council authorize the General Manager of Pasadena Water and Power (PWP) to:

- 1) Extend the existing Voluntary Load Curtailment Program (VLCP) to February 2002 for the mitigation of potential rolling blackouts.
- 2) Extend the contract with Planergy Services, Inc. (Planergy), to continue to assist with implementation and curtailment administration, and to extend existing VLCP contracts with commercial and industrial customers.
- 3) Enter into contract with other potential PWP customers as necessary.

BACKGROUND:

On May 21, 2001, the City Council authorized the General Manager of PWP to enter into VLCP agreements with Planergy and various commercial and industrial electric customers to mitigate the possibility of rolling blackouts during the months of June through October 2001.

Under VLCP, participating customers were asked to curtail (reduce) a portion of their load during peak demand periods upon notification. Customers who participated in this program received demand payments of \$13.33 per kilowatt-month and an energy payment of \$0.15 per kilowatt-hour for curtailments. This was in line with payments being provided by cities that are implementing similar programs. Planergy, a firm that currently provides load curtailment turnkey services for other utilities, was utilized to assist in the implementation and curtailment administration of this critical program. For its services, Planergy receives monthly payments of \$6.67 per kilowatt.

PWP has 19 customers under contract capable of providing 7,527 kilowatts (kW), or roughly 7.5 megawatts (MW), of curtailable load. PWP's program is the second largest municipal curtailment program in the state and one of the most

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successful. Combined payments to Planergy and PWP customers are approximately \$150,000 per month.

Although the power supply outlook in California and in the Northwest has improved, PWP believes it would be prudent to extend the VLCP program through February 2002, as additional insurance to limit potential blackouts in Pasadena. Adverse hydro conditions or extreme temperatures could disturb the tight balance of supply and demand throughout the west. Additional power plant outages may result as generators shut down for retrofits needed to comply with tougher emissions limits being imposed by regulatory authorities. Some operators may opt to retire older units given the weak power prices and reduced profit expectations due to price caps. The California Independent System Operator continues to warn customers that conservation is required to avoid blackouts.

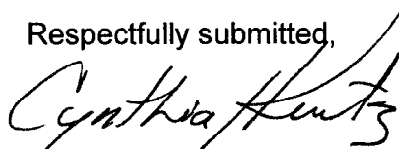
FISCAL IMPACT:

The estimated cost of continuing the blackout mitigation Voluntary Load Curtailment Program is \$600,000 including customer incentives and program administration costs. This is based on contracting for up to 7.5 megawatts of voluntary customer load curtailments at \$20.00 per kilowatt-month for the period of November 2001 through February 2002, plus payments for up to 100 hours of avoided energy at \$0.15 per kilowatt-hour.

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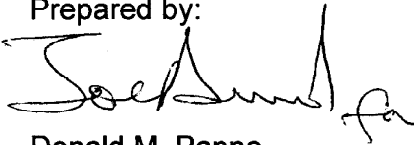
The cost of the VLCP would be recovered through the Energy Charge and would therefore have no fiscal impact on PWP or the City. The cost of this program represents approximately \$0.0015/kWh of the Energy Charge revenues collected.

Respectfully submitted,



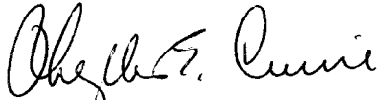
Cynthia J. Kurtz
City Manager

Prepared by:



Donald M. Pappe
Director of Customer Care
Pasadena Water and Power

Approved:



Phyllis E. Currie
General Manager
Pasadena Water and Power