



# Agenda Report

TO: City Council  
THROUGH: Deregulation Committee

DATE: February 5, 2001

FROM: City Manager

SUBJECT: Authorization to participate in a Joint Effort with the Cities of Glendale, Burbank and Pasadena Regarding the Feasibility of Seeking Special Legislation to Construct New Electrical Power Generation

## RECOMMENDATION:

It is recommended that the City Council:

- 1) Approve the attached resolution that authorizes and directs the City Manager to jointly study, with the cities of Glendale and Burbank, the desirability of forming an interim Joint Tri-City Power Agreement for the purpose of constructing additional generating facilities (and modernizing existing generating facilities, if appropriate) on the existing generating sites within the three cities and to report their findings to this Council
- 2) Authorize the City Manager to enter into agreements for engineering, financial, legal, legislative advocacy and other consulting services, with the cities of Glendale and Burbank, as may be necessary to participate in a joint effort seeking special legislation to assist in the construction of new electrical power generation. The proposed agreements are exempt from competitive bidding pursuant to City Charter Section 1002(H) contracts with other governmental entities or their contracts and City Charter Section 1002(F) contracts for professional or unique services.
- 3) It is further recommended that the City Council grant the proposed agreements an exemption from the competitive selection process of the Affirmative Action in Contracting Ordinance pursuant to Section 4.09.060, contracts for which the City's best interests are served.

- 4) Approve a journal voucher authorizing the Director of Finance to appropriate \$60,000 from the Light and Power Fund unappropriated fund balance to finance the necessary engineering, financial, legislative advocacy and other consulting services as may be necessary

#### SUMMARY

This report proposes that the City Council authorize the City Manager to retain consultants to track and respond to activities of the State Legislature and Governor's Office during the immediate crisis, and to a plan to position Pasadena to protect the strength and independence of Pasadena Water and Power (PWP) in the evolving energy market. The plan could include the possible formation of a "Tri-City Public Power Agreement" among the cities of Burbank, Glendale and Pasadena for the purpose of coordinating efforts among the three cities in seeking special legislation, evaluating electrical "re-powering" options, providing capital funding, seeking grant funding, and representing the interests of the three cities on electrical generation matters. The attached resolution would appropriate \$60,000 for these purposes and direct staff to report back with a recommendation.

#### BACKGROUND:

With the collapse of the State's electrical industry deregulation program, the electrical utilities industry in California is in turmoil. The investor owned electrical utilities have been unable to meet the needs of their customers and are faced with financial insolvency. As a result, the future of the electrical utility industry in California is in a state of flux, and the ability of the industry and State to meet the future electrical energy needs of the State is in doubt.

The City of Pasadena has a long and successful record of positioning Pasadena to be able to meet the utility needs of its residents and businesses in a reliable, competitive and effective fashion. "Independence" and "self-sufficiency" have historically been principles guiding the planning of Pasadena's electrical utility program. These guiding values have placed Pasadena in the enviable position it enjoys today. However, with the industry in a state of flux and the State government actively engaged in determining the future of the industry, it is critically important that Pasadena Water and Power be proactive in determining and pursuing a course of action that will allow it to continue to be successful in meeting the energy needs of Pasadena's residents and businesses.

Long before the present energy crisis, the City Managers, General Managers and utility staff of the cities of Burbank, Glendale and Pasadena met regularly to maintain coordination and communication among the three utilities. Since the electric energy crisis, the meetings have been more frequent to insure that

and to prepare a plan to position the three cities to maintain their strength as the State's reaction to the industry crisis evolves. There may be an opportunity for the three cities to work cooperatively, such as through the formation of a "Tri-City Public Power Agreement", to insure the ability of the respective cities to meet the electrical energy needs of their residents and businesses for the long-term, and to be more effective in representing the interests of the three cities, in Sacramento. The long-term plan for the three communities could possibly serve as a model for the State to follow in addressing its long-term statewide electrical needs. Use of a public power authority structure much like the Arroyo Verdugo Dispatch model, would give the three cities a formal structure for the coordination of efforts and the sharing of costs yet maintain each city's legislative policy and operational independence.

To evaluate a future direction and to prepare a feasibility report on the formation of a joint operating agreement for Council consideration, the City Managers and General Managers of the three cities are requesting the respective City Council's authorization to retain various consulting services. It is expected that a concept feasibility study will be completed within the next several weeks. The team preparing the initial report would include staffs of the three cities, a financial consultant, special legal counsel, and a policy analysis consultant. In addition, staff believes it is important that the cities retain a legislative advocate who can represent the interests of the three cities in Sacramento as the Legislature and Governor seek a long-term solution to the present crisis.

Toward this end, staff of the three cities has evaluated consulting firms to fill some of the various needs. Identified so far are the Rand Corporation (policy analysis consultant) and the Gualco Group (legislative advocacy). Staff anticipates utilizing the financial consultant, Public Financial Management, and legal counsel, Fulbright and Jaworsky, presently retained by the Southern California Public Power Authority.

FISCAL IMPACT

The \$60,000 appropriation is one-third of the estimated cost to retain the services of a legislative advocate firm to represent the three cities, the preparation of the feasibility report, and the next step needed if the cities decide to move forward with a joint agreement. Costs for this initial phase of study and activities would be shared equally among the three cities. One or more of the cities will serve as initial administrator for various phases of the work. A more detailed report on the proposed program and an organizational structure for formally allocating costs will be completed and presented in the next several weeks.

Respectfully submitted,

  
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City Manager

Prepared and approved by:



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Pasadena Water and Power