

# Ordinance Fact Sheet

TO: CITY COUNCIL

DATE: June 17, 2002

FROM: CITY ATTORNEY

SUBJECT: AN ORDINANCE OF THE CITY OF PASADENA AMENDING THE LIGHT AND POWER RATE ORDINANCE, CHAPTER 13.04 OF THE PASADENA MUNICIPAL CODE, TO RESTRUCTURE ELECTRIC RATES

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 restructure electric rates.

PURPOSES OF THE ORDINANCE:

The general purposes of the proposed ordinance are to: restructure electric rates to align rates for residential and business customers with their respective cost of service; eliminate all subsidies between customer groups; unbundle electricity into its main components (distribution, transmission, and energy services); and provide appropriate price signals to encourage efficient use of electricity. The proposed ordinance maintains the low-income and lifeline rebates, but expands eligibility for the lifeline program to include those customers that regularly require essential life support devices. The proposed ordinance designs rates to recover all Pasadena Water and Power (PWP) costs and the Light and Power Fund transfer to the City's general fund.

Specifically, the proposed ordinance:

1. Creates three broad customer groups: residential, commercial and industrial, and street lighting and traffic signals; and segments commercial and industrial customers by demand and by primary or secondary voltage levels.
2. Provides a \$2.00 per month multi-family discount to residential customers with at least four meters per location, and eliminates the all-electric customer discounts.
3. Provides seasonal flat rates and time-of-use rate options for energy services to all

MEETING OF 6/17/2002

AGENDA ITEM NO. 5.D.1.

customers, except for large commercial and industrial customers with demands greater than 300 KWh.

4. Provides time-of- use rates to large commercial and industrial customers with demands greater than 300 KWh.
5. Provides self-generation service for customers with self-generation.
6. Provides green power service to customers interested in procuring green power.
7. Provides curtailable service to medium and large commercial and industrial customers for curtailment at PWP-directed time periods.

In December 2001, the City Council approved this electric rate restructuring plan and directed the City Attorney to prepare an amendment to the Pasadena Municipal Code. The City Council also approved the refund of the stranded investment surcharge collected on and after July 1, 2001.

PWP endeavored to offer a market-based rate option in the proposed ordinance. This type of rate option would have offered a customer the ability to purchase electricity on an hourly basis at a price that is directly tied to the open-market price. These customers would not benefit from any PWP purchased power contracts, nor would they benefit from the Stranded Investment Reserve. However, because the California energy markets have been dysfunctional and are presently in the flux of legislative and regulatory redetermination, PWP cannot bring forward a market-based rate option at this time. When California energy markets are established and function in a manner which produces a reliable price indicator, PWP will bring forward an amendment to the proposed ordinance to institute market-based rates.

REASONS WHY LEGISLATION IS NEEDED:

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

PROGRAMS, DEPARTMENTS OR GROUPS AFFECTED:

The proposed ordinance results in a system-wide rate decrease of about twenty percent (20%) in electric rates (excluding taxes) and represents a comprehensive rate restructuring affecting all electric customers. As compared to present rates, typical residential customer bills would decrease \$10.60 per month under winter rates and \$5.97 per month under summer rates for an annual decrease of \$108.65 (12.66%) before taxes based on 500 kWh per month average usage.

The annual financial impact of the proposed ordinance for selected customer types and consumption levels is shown in Attachment 1.

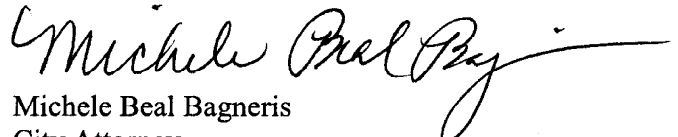
FISCAL IMPACT:

The proposed ordinance would result in no increase in revenues to the power utility. The proposed electric rates incorporate withdrawals from the Stranded Investment Reserve Fund to reduce Intermountain Power Project and Palo Verde Nuclear Generating Station cost obligations as authorized by City Council. The planned withdrawal from the Stranded Investment Reserve Fund in fiscal year 2003 is approximately \$18 million and is included in the FY 2003 Power Fund budget.

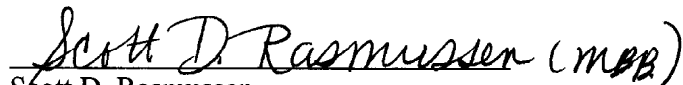
The collection of the Stranded Investment Surcharge will end on July 1, 2002, with all funds collected since July 1, 2001 being refunded to the ratepayer. Related to this action, both the utility user's tax rebate (established in fiscal year 2000 by resolution) and the underground surtax rebate (established in November 1997 by resolution) are scheduled to sunset on July 1, 2002.

The elimination of the SIS means there will be no additional funding to the SIS Reserve Fund from SIS collection. Customers and City departments will save about \$14.8 million and \$700,000 per year, respectively, from the elimination of SIS. The elimination of the underground surtax rebate program increases the underground program fund by about \$3 million per year. The elimination of the utility user's tax rebate increases the general fund revenues by about \$210,000 per year.

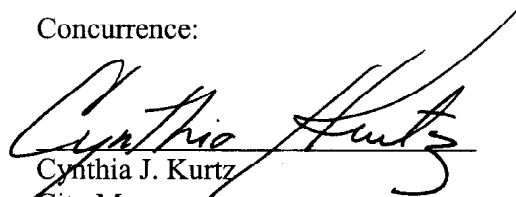
Respectfully submitted,

  
Michele Beal Bagneris  
City Attorney

Prepared by:

  
Scott D. Rasmussen  
Assistant City Attorney

Concurrence:

  
Cynthia J. Kurtz  
City Manager