



OFFICE OF THE CITY MANAGER

June 20, 2005

To: Finance Committee

From: City Manager

Subject: Supplemental Memo-Budget Amendment for Capital Expenditures
Associated with Pasadena's Share of Los Angeles Department of Water and
Power ("LADWP") Operated and Maintained High Voltage Transmission
Lines

During the June 06, 2005 meeting, the Finance Committee requested additional detailed information regarding the subject proposed Budget Amendment.

As explained in the subject Agenda Report, the Water and Power Department wishes to amend the FY05 and FY06 budgets to add a new CIP titled "Power Transmission Projects" for an initial funding of \$315,000.

The \$315,000 in capital funding will be spent as follows:

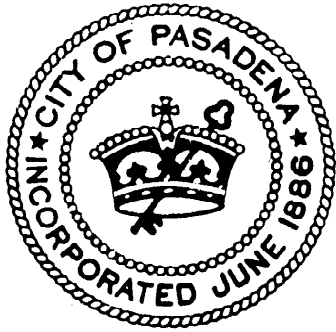
1. \$126,000 will reimburse PWP for expenses already incurred and charged to the Power Fund Operating Budget. These funds will cover a capital program of adding 23 transmission towers along the Pacific DC Intertie.
2. \$69,000 will fund additional capital expense to be incurred in FY 2005 and FY 2006. These funds cover three remaining capital items: 1.) installation of a transfer breaker and upgrading the Intertie Insulators, 2) improvements to the security systems, and 3) training for operational staff at Sylmar.
3. \$120,000 will fund normal capital maintenance items in FY 2007 through FY2010 at \$30,000 per year.

Rate Impact

Funds will come from the unappropriated Power Fund fund balance. The costs of these capital programs and capital maintenance will be recovered through the Transmission Access Charge component of the electric bill. However, because these costs will be depreciated over a 20 year period they will have a negligible effect on PWP electric rates. By capitalizing these expenses, rate payers will pay for the costs over the next twenty years instead of paying for them all at once if they are charged to the operating budget. This will have an insignificant rate impact.

Respectfully submitted,


CYNTHIA J. KURTZ
City Manager



Agenda Report

June 6, 2005

To: CITY COUNCIL
Through: FINANCE COMMITTEE

From: CITY MANAGER

Subject: BUDGET AMENDMENT FOR CAPITAL EXPENDITURES
ASSOCIATED WITH PASADENA'S SHARE OF LOS ANGELES
DEPARTMENT OF WATER AND POWER ("LADWP") OPERATED
AND MAINTAINED HIGH VOLTAGE TRANSMISSION LINES

RECOMMENDATION:

It is recommended that the City Council:

1. Amend the Light and Power Fund Fiscal Year 2005 Capital Improvement Project (CIP) budget to include a new project entitled Power Transmission Program with an estimated cost of \$315,000 and
2. Appropriate \$315,000 from the unappropriated Light and Power Fund balance to the new project.

PLANNING COMMISSION RECOMMENDATION:

This project was reviewed by the Planning Commission at their meeting on May 11, 2005 and they have recommended that the City Council find that the "Power Transmission Project" proposed for inclusion in the FY2005-2009 CIP is consistent with the City of Pasadena's General Plan.

BACKGROUND:

A new capital improvement project needs to be created and funded to properly account for expenditures for transmission projects in which Pasadena has an ownership interest, the Pacific DC Intertie and the McCullough-Victorville Line 2. The City, as a part owner, has contractual obligations to fund upgrades determined to be necessary and appropriate by the participating owners.

In 1967, Pasadena Water and Power (PWP) acquired an 30/1300 (2.3%) equity interest in the Pacific DC Intertie, a 500 kV transmission line spanning 850 miles

from Celilo in northern Oregon to Sylmar, California. This line conveys energy from Bonneville Power Authority and other Pacific Northwest utilities to the Sylmar converter station. The Pacific DC Intertie and related facilities were constructed and are maintained by LADWP. Under the Pacific Intertie D-C Transmission Facilities Agreement (Pasadena number 7367), the City of Pasadena is responsible for its share of ongoing operating, maintenance, and capital expenses.

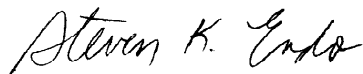
In 1980, PWP acquired a 2.476% (equal to 26MW) equity interest in the McCullough-Victorville Line 2 transmission line. This line conveys energy from electricity generators in the Southwest. The McCullough-Victorville Line 2 and related facilities were constructed and are maintained by the Los Angeles Department of Water and Power (LADWP). Similarly, the McCullough-Victorville Line 2 Transmission Agreement (Pasadena number 10,805), obligates the City of Pasadena for its share of ongoing operating, maintenance, and capital expenses.

In March 2005, LADWP presented its Capital Expenditures program budgets for the balance of FY 2005 and FY 2006 for the transmission line projects. Establishment of the recommended capital project will permit Pasadena to fund its share of the transmission project expenses as a capital expense.

FISCAL IMPACT:

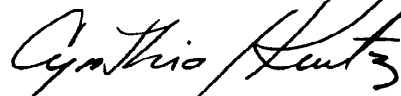
Funds will come from the unappropriated balance of the Light and Power Fund. The costs related to this new CIP project will be recovered through the Transmission Access Charge component of the electric bill.

Prepared by:



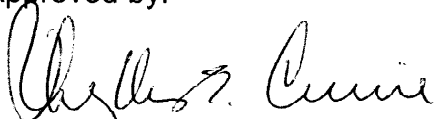
Steven K. Endo
Power Resources Manager

Respectfully submitted,



CYNTHIA J. KURTZ
City Manager

Approved by:



Phyllis E. Currie
General Manager