

Agenda Report

September 18, 2000

TO: City Council
THROUGH: Deregulation Committee

FROM: City Manager

SUBJECT: Water Rate Adjustment to Fund the Water Fund Capital Improvement Plan and to Revise the Purchased Water Adjustment Charge Formula

RECOMMENDATION:

It is recommended that City Council hold first reading of an amendment to the Water Rate Ordinance, Chapter 13.20.110 of the Pasadena Municipal Code to:

- 1) change the formula for the Purchased Water Adjustment Charge, (PWAC) to allow for the pass-through of all related purchased water cost adjustments; and,
- 2) increase those appropriate water commodity rates in effect on July 1, 2000 by an amount which will result in an overall increase of 6% in the operating revenue of Pasadena Water and Power Water Fund for one year (Sections 1, and 5 through 7 only) to provide initial funding for a revised maintenance program for public improvements intended to provide for storage, supply, treatment, and distribution of water.

BACKGROUND:

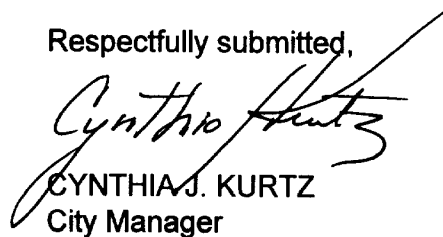
On July 24, 2000, City Council reviewed a proposal to adjust water rates (attached). Following discussion, Council directed the City Attorney to prepare an amendment to the Water Rate Ordinance to allow for the pass-through of all related purchased water cost adjustments and to increase water commodity rates for four years to fund a revised maintenance program for public improvements. The Ordinance has been prepared as per the specification of the City Council, with a number of annual increases in the water commodity rates. However, staff is recommending that the City Council adopt only a one year increase in the water commodity rates and the formula for the Purchase Rate Adjustment Charge; hence, the City Council is asked to have first reading only of Sections 1, and 5 through 7, inclusive, of the attached Ordinance. During this time, staff will continue to study capital needs and bring further recommendations to the Council as needed.

FISCAL IMPACT:

The proposed water rate adjustment resulting in an operating revenue increase of 6% will generate an estimated annualized amount of \$1.53 million per year. Since the water rate adjustment is planned to take effect in October 2000, it is expected to generate additional revenues for the Water Fund of approximately \$1.15 million pro rata in FY 2001. The rate adjustment revenues will be used to support the public improvements intended to provide for the storage, supply, treatment, and distribution of water. In addition, the new PWAC formula will have an additional first year impact of \$0.55 million. The FY2001 pro rata impact of the new PWAC formula is expected to be \$0.41 million. This new formula will allow PWP to mitigate current purchased water cost shortfalls and the resulting negative impact on the Water Fund working capital.

During the first year of this program, a detailed engineering and financial analysis will be performed to accurately identify the future infrastructure improvement requirements and the related funding needs.

Respectfully submitted,



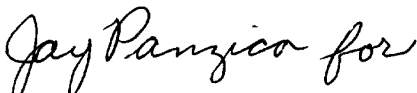
CYNTHIA J. KURTZ
City Manager

Prepared by:



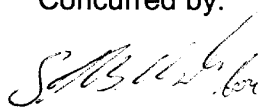
JAY PANZICA
Director - Finance and Administration
Pasadena Water and Power

Approved by:



WILLIAM R. McCARLEY
Interim General Manager
Pasadena Water and Power

Concurred by:



JAY M. GOLDSTONE
Director of Finance
Finance Department



Ordinance Fact Sheet

TO: City Council

DATE: September 18, 2000

FROM: City Manager

SUBJECT: AN ORDINANCE OF THE CITY OF PASADENA TO AMEND CHAPTER 13 OF THE PASADENA MUNICIPAL CODE ("WATER RATE ORDINANCE") REGARDING WATER RATE ADJUSTMENT AND REVISION OF THE PURCHASED WATER ADJUSTMENT CHARGE

TITLE OF PROPOSED ORDINANCE:

AN ORDINANCE OF THE CITY OF PASADENA TO AMEND CHAPTER 13 OF THE PASADENA MUNICIPAL CODE ("WATER RATE ORDINANCE") REGARDING WATER RATE ADJUSTMENT AND REVISION OF THE PURCHASED WATER ADJUSTMENT CHARGE

BACKGROUND:

On September 18, 2000 the City Council directed the City Attorney to prepare an amendment to the Water Rate Ordinance, Chapter 13.20.110 of the Pasadena Municipal Code to change the formula for the Purchased Water Adjustment Charge, (PWAC) to allow for the pass-through of all related purchased water cost adjustments. In addition, the City Council directed the City Attorney to prepare an amendment to the Water Rate Ordinance, Chapter 13.20 of the Pasadena Municipal Code to increase those appropriate water commodity rates in effect on July 1, 2000 by an amount which will result in an overall increase of 6%, annually, in the operating revenue of Pasadena Water and Power Water Fund. This action will provide initial funding for a revised maintenance program for public improvements intended to provide for storage, supply, treatment, and distribution of water.

The Ordinance has been prepared as City Council directed, with annual increases in the water commodity rates. However, staff is recommending

MEETING OF 9/18/2000

AGENDA ITEM NO. 5.B.1. &
9.A.2.

September 18, 2000

that the City Council adopt only one increase in the water commodity rates in conjunction with the formula for the Purchase Rate Adjustment Charge; hence, the City Council is asked to have first reading only of Sections 1, and Sections 5 through 7, inclusive, of the attached Ordinance and to delete Sections 2, 3 and 4.

REASON WHY LEGISLATION IS NEEDED:

The Pasadena Municipal Code may only be amended by ordinance of the City Council.

PROGRAMS, DEPARTMENTS OR GROUPS AFFECTED:

The proposed ordinance amendment will directly affect the employees of the Water and Power Department who are responsible for billing water customers in the City.

ENVIRONMENTAL IMPACT:

The proposed changes fall under the general rule 15061(b)(3) that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Since there is no possibility that the changes in question may have a significant effect on the environment, they are not subject to CEQA.

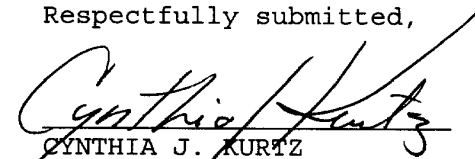
FISCAL IMPACT:

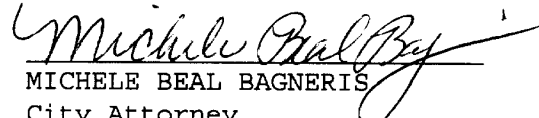
The proposed water rate adjustment resulting in an operating revenue increase of 6% will generate an estimated annualized amount of \$1.53 million per year. Since the water rate adjustment is planned to take effect in October 2000, it is expected to generate additional revenues for the Water Fund of approximately \$1.15 million pro rata in FY 2001. The rate adjustment revenues will be used to support the public improvements intended to provide for the storage, supply, treatment, and distribution of water. In addition, the new PWAC formula will have an additional first year impact of \$0.55 million. The FY2001 pro rata impact of the new PWAC formula is expected to be \$0.41 million. This new formula will allow PWP to mitigate current purchased water cost shortfalls and the resulting negative impact on the Water Fund working capital.

September 25, 2000


During the first year of this program, the department will re-evaluate the capital plan and its future capital needs.

Respectfully submitted,

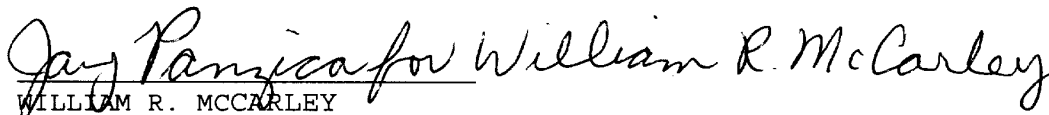

CYNTHIA J. KURTZ
City Manager


MICHELE BEAL BAGNERIS
City Attorney


Prepared by:


JAY PANZICA
Director - Finance and
Administration
Pasadena Water and Power

Approved by:


WILLIAM R. MCCARLEY
Interim General Manager
Pasadena Water and Power

Concurrence:


JAY M. GOLDSTONE
Director of Finance

ORDINANCE NO.

Introduced by

AN ORDINANCE OF THE CITY OF PASADENA TO AMEND CHAPTER 13 OF THE PASADENA MUNICIPAL CODE (“WATER RATE ORDINANCE”) REGARDING WATER RATE ADJUSTMENT AND REVISION OF THE PURCHASED WATER ADJUSTMENT CHARGE

The People of the City of Pasadena ordain as follows:

SECTION 1. The Pasadena Municipal Code is amended by amending Section

13.20.030(B) to read as follows:

“B.(1) Commodity Rates. The commodity rates for all water delivered as of October, 2000 shall be:

	Commodity Rate for All First Block Water Delivered (per 100 cubic feet)	Commodity Rate for All Second Block Water Delivered (per 100 cubic feet)	Commodity Rate for All Third Block Water Delivered (per 100 cubic feet)
For water delivered April 1st--September 30th:			
In Area A	\$0.497	\$1.695	\$1.863
In Area B	\$0.669	\$2.288	\$2.514
For water delivered October 1st--March 31st:			
In Area A	\$0.449	\$1.595	\$1.856
In Area B	\$0.606	\$2.153	\$2.505

SECTION 2. Said Code is amended by amending Section 13.20.030(B) to read as follows:

“B.(2) Commodity Rates. The commodity rates for all water delivered as of October, 2001 shall be:

	Commodity Rate for All First Block Water Delivered (per 100 cubic feet)	Commodity Rate for All Second Block Water Delivered (per 100 cubic feet)	Commodity Rate for All Third Block Water Delivered (per 100 cubic feet)
For water delivered April 1st--September 30th:			
In Area A	\$0.540	\$1.842	\$2.025
In Area B	\$0.727	\$2.486	\$2.732
For water delivered October 1st--March 31st:			
In Area A	\$0.488	\$1.733	\$2.016
In Area B	\$0.658	\$2.339	\$2.722

SECTION 3. Said Code is amended by amending Section 13.20.030(B) to read as follows:

“B.(3) Commodity Rates. The commodity rates for all water delivered as of October, 2002 shall be:

	Commodity Rate for All First Block Water Delivered (per 100 cubic feet)	Commodity Rate for All Second Block Water Delivered (per 100 cubic feet)	Commodity Rate for All Third Block Water Delivered (per 100 cubic feet)
For water delivered April 1st--September 30th:			
In Area A	\$0.585	\$1.998	\$2.196
In Area B	\$0.788	\$2.696	\$2.962

For water delivered

October 1st--March 31st:

In Area A	\$0.529	\$1.879	\$2.187
In Area B	\$0.714	\$2.536	\$2.952

SECTION 4. Said Code is amended by amending Section 13.20.030(B) to read as follows:

“B.(4) Commodity Rates. The commodity rates for all water delivered as of

October, 2003 shall be:

	Commodity Rate for All First Block Water Delivered (per 100 cubic feet)	Commodity Rate for All Second Block Water Delivered (per 100 cubic feet)	Commodity Rate for All Third Block Water Delivered (per 100 cubic feet)
For water delivered April 1st--September 30th:			
In Area A	\$0.633	\$2.162	\$2.377
In Area B	\$0853	\$2.918	\$3.206

For water delivered

October 1st--March 31st:

In Area A	\$0.572	\$2.034	\$2.367
In Area B	\$0.773	\$2.745	\$3.195

SECTION 5. Said Code is amended by amending Section 13.20.110(A) to read as follows:

“13.20.110 Purchased Water Adjustment Charge

A. The charges for all water delivered, other than standby charges, shall be subject to an adjustment to reflect changes in the prices paid by Pasadena Water and Power (PWP) for its water.

The responsibility to calculate the adjustment shall rest with PWP and the authority to approve the adjustment shall rest with the PWP General Manager. The adjustment shall be the product of a percentage multiplied by all commodity rates. The percentage is calculated as follows:

$$\frac{\text{Total Dollar Amount of Adjustment}}{\text{Total Commodity Revenue}} = \frac{\sum(A_i \times B_i) + C}{\sum(D_k \times E_k) + \sum(D_1 \times E_1)}$$

- Where:
- A_i = Projected water system purchases for the next 12 months, stated in terms of number of acre-feet, for every category of commodity purchased, where “i” represents each category of commodity purchase costs.
 - B_i = Difference between projected change in purchased water prices over base year prices, stated in terms of dollars per acre-feet, for every category of commodity purchased, where “i” represents each category of commodity purchase costs. Base year prices are defined as those water rates last reflected in PWP’s retail water rates.
 - C = Any other increase or addition to costs incurred by PWP in the acquisition of water stated in dollars over the base year.
 - D_k = Projected water system sales for the next 12 months stated, in terms of number of billing units, for every block of commodity sold, for customers in Area A, where “k” represents each category of commodity revenue in Area A as defined in Section 13.20.030 of the Pasadena Municipal Code. A billing unit is defined as 100 cubic feet.
 - D₁ = Projected water system sales for the next 12 months stated, in terms of number of billing units, for every block of commodity sold, for customers in Area B, where “i” represents each category of commodity revenue in Area B as defined in Section 13.20.030 of the Pasadena Municipal Code.
 - E_k = Current commodity rate for every block in Area A in dollars per billing unit, where “k” represents each category of commodity revenue in Area A as defined in Section 13.20.030 of the Pasadena Municipal Code.
 - E₁ = Current commodity rate for every block in Area B in dollars per billing unit, where “i” represents each category of commodity revenue in Area B as defined in Section 13.20.030 of the Pasadena Municipal Code.

Each commodity rate in each block and each Area shall be adjusted by the PWAC adjustment percentage calculated in the formula above. The adjustment may take effect no earlier than the date that the notice of such adjustment is given to each customer.”

SECTION 6. The City Clerk shall certify the adoption of this Ordinance and shall cause this ordinance to be published in full text.

SECTION 7. This ordinance shall take effect upon its publication.

Signed and approved this ___ day of _____, 2000.

Bill Bogaard
Mayor of the City of Pasadena

I HEREBY CERTIFY that the foregoing ordinance was adopted by the City Council at its meeting held _____, 2000, by the following vote:

AYES:

NOES:

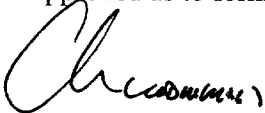
ABSENT:

ABSTAIN:

Published:

JANE L. RODRIGUEZ, CMC
CITY CLERK

Approved as to form:



Nicholas George Rodriguez
Assistant City Attorney