

OFFICE OF THE CITY MANAGER

To: City Council

Date: December 18, 2006

From: Cynthia J. Kurtz
City Manager

Subject: Addendum to Agenda Report on Authorization to Renew the Intermountain Power Agency Power Sales Contract

Revised City Manager Recommendation:

It is recommended that City Council defer action on the Intermountain Power Agency Power Sales Contract to allow time to evaluate the viability of carbon sequestration and coal gasification.

Background:

On November 14, 2006, the Municipal Services Committee (MSC) considered a staff recommendation that the City Council authorize the City Manager to enter into the Renewal Power Sales Contract (Renewal Agreement) between the City of Pasadena and the Intermountain Power Agency (IPA) to extend Pasadena's entitlement to energy from the Intermountain Power Project (IPP) through 2044. The MSC forwarded the matter to City Council without recommendation.

In the interim, staff has met with representatives of State Senator Don Perata, the Senate President pro Tempore and author of Senate Bill 1368 on greenhouse gas emission standards (SB-1368), to discuss the implications of SB-1368 and the importance of IPP to California utilities. Staff also met with a representative for State Assembly member Lloyd Levine, the Chair of the Assembly Utilities and Commerce Committee, to discuss these issues.

Additionally, the California IPP purchasers have now committed to studying options to mitigate environmental concerns with IPP, including greenhouse gas reduction or sequestration retrofit technologies for existing units and the potential for advanced "clean coal" generation at the site in the future. The IPP Coordinating Committee, which is composed of the California and Utah power purchasers, and is responsible for recommending key operational decisions to the IPA board for approval, has created an ad-hoc committee to investigate greenhouse gas reduction strategies for IPP. The Los

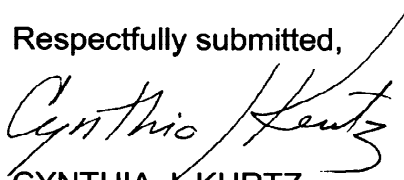
Angeles Department of Water and Power (LADWP) , which is the majority purchaser and operating agent for IPP, is hiring consultants to evaluate the feasibility of carbon sequestration and coal gasification. All of the California participants have committed to supporting these efforts. Additionally, the general potential for “clean coal” technologies have been investigated for over 15 years and the current federal administration continues with a \$2 billion dollar program over 10 years to advance these technologies. The above mentioned efforts will provide additional information to the City Council as they make their decision concerning the renewal contract.

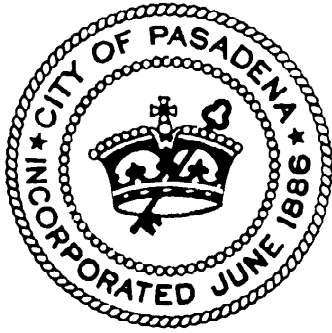
For these reasons, staff recommends that City Council defer action on the Renewal Agreement at this time. This will provide time to evaluate the viability of these efforts to mitigate environmental concerns with IPP, as well as explore alternatives and impacts in the event Pasadena ultimately does not execute the Renewal Agreement.

Completion of the Power Supply 2006 Integrated Resource Plan (IRP) will be delayed until July 1, 2007 to add a discussion on the impacts of not renewing the IPP contract, or early retirement of IPP. The IRP will evaluate the cost and feasibility of energy efficiency, renewable resources, and increased local generation as potential alternatives to IPP in the future. The IRP will expand on the potential impacts of various carbon tax values or carbon emission “cap and trade” scenarios that may develop in the future.

Due to the importance of IPP as a resource, and greenhouse gas emissions in general, staff will keep Council apprised of key developments in greenhouse gas legislation and progress on defining effective strategies to mitigate greenhouse gas emissions at IPP. These issues are not only critical for Pasadena but the entire State and Nation. We anticipate many significant developments and new challenges over the coming years.

As discussed in the attached Agenda Report, Pasadena’s future decision regarding the renewal of IPP could be subject to a review by the California Energy Commission under the provisions of SB-1368.

Respectfully submitted,

CYNTHIA J. KURTZ
City Manager



Agenda Report

November 20, 2006

To: City Council
Through: Municipal Services Committee
From: City Manager
Subject: AUTHORIZATION TO RENEW THE INTERMOUNTAIN POWER AGENCY
POWER SALES CONTRACT

RECOMMENDATION:

It is recommended that the City Council authorize the City Manager to enter into the Renewal Power Sales Contract (Renewal Agreement) between the City of Pasadena and Intermountain Power Agency (IPA) to extend Pasadena's entitlement to energy from the Intermountain Power Project (IPP) through 2044.

This contract is exempt from competitive bidding pursuant to City Charter Section 1002(C) contracts for labor, materials, supplies or services available from only one vendor.

EXECUTIVE SUMMARY:

IPP's two coal-fired electric generating units are a reliable source of energy that provide Pasadena with approximately 65% of its annual electric demand. Pasadena's existing contracts for IPP expire June 15, 2027, at which time Pasadena will have paid off its share of the IPP debt.

As a result of an offer letter IPA submitted to IPP participants on July 10, 2006, Pasadena now has the option to sign a Renewal Agreement that provides for continued access to approximately 4.41% of IPP through 2044. Under the Renewal Agreement, Pasadena's share of IPP will be approximately 26% less than its current 6% share. Because the debt will be paid off, the cost of energy received under the Renewal Agreement is expected to be less than current costs and substantially below market rates.

The Renewal Agreement also ensures that Pasadena will have continued rights to use the Southern Transmission System (STS) line that will also be fully paid for by 2027.

The 2006 Integrated Resource Plan (IRP), described publicly on November 1, 2006, calls for reducing the amount of coal providing electricity for Pasadena to provide greater fuel diversity while increasing energy efficiency and renewable energy resources. The IRP assumes no additional coal-based generation capacity will be added, as reflected in a draft environmental policy for the utility that is under consideration by the Municipal Services Committee. The IRP also assumes that approximately 40% of Pasadena's energy needs will be met by IPP in 2028 under the Renewal Agreement.

If Pasadena does not sign the Renewal Agreement, an additional 80 MW of capacity and 585,000 GWh of energy would need to be procured by 2027 at a higher cost than IPP. Pasadena could secure this energy from the market or other generation sources such as nuclear, gas, geothermal, or biomass at an additional cost to Pasadena of \$200 million to \$300 million over the life of the Renewal Agreement. Assuming no other contracts are signed for coal resources, Pasadena's energy portfolio would have no coal commitments as of June 16, 2027, adversely impacting Pasadena's goal of increased fuel diversity.

Pasadena has made a strong commitment to protecting the environment. The City Council adopted a Renewable Portfolio Standard in 2003 and has since authorized new renewable energy contracts that are expected to increase Pasadena's renewable supply by over 10% of retail sales. Recently, the City Council adopted the United Nations Urban Environmental Accords (UEA) and endorsed the U.S. Mayor's Climate Change Agreement. Staff's recommendation to sign the Renewal Agreement was reflected in the Action Plans attached to the UEA agenda report. Based on preliminary assessment, Pasadena's ability to meet UEA goals for greenhouse gas emissions reduction will not be jeopardized by the proposed IPP Renewal Agreement. Pasadena's environmental policy recognizes the importance of balancing the environment, reliable electric supply, and the cost of electricity.

As a result of SB-1368 becoming law, any decision by the City Council to renew IPP after January 1, 2007 will be subject to review by the California Energy Commission (CEC). The CEC has not yet developed a process by which municipal contracts will be reviewed and the evaluation will not have to factor in the rate impacts on Pasadena.

BACKGROUND:

In the 1980's, Pasadena entered into three long term contracts to purchase approximately 6% of the power from IPP. The contracts include the "Power Sales Contract" with IPA for 3.41% of IPP, the "Excess Power Sales Agreement" with Utah sellers and IPA for up to 1.59 % of IPP, and the "Layoff Power Purchase Contract" with Utah Power & Light (now PacifiCorp) for approximately 1% of IPP. Each of these contracts expires on June 15, 2027.

The IPP Power Sales and Layoff Power Sales contracts were amended in 1983 to provide for an offer to renew the sales beyond 2027. This renewal was to be offered at a future date under "substantially the same terms and conditions" of the original contract. IPA is now offering the Renewal Agreement to extend these agreements, which represent about 74% of Pasadena's current total IPP entitlements, from 2027 to 2044. Pasadena's share of IPP is lower under the Renewal Agreement because does not include energy associated with the Excess Power Sales Agreements with the Utah Participants.

IPA Renewal Agreement Offer Conditions and Timeframe

IPA's July 10, 2006 Renewal Agreement offer was originally driven by a group of utilities (PacifiCorp, Utah Associated Municipal Power Systems, the City of Glendale, and the Southern Nevada Water Authority) interested in building a third unit at IPP. These utilities are interested in determining whether the original IPP Unit 1 and Unit 2 participants (including Pasadena) will continue in the project beyond 2027. This is important to these companies since there are significant savings (estimated at \$150 million) associated with building the plant at IPP if certain common facilities at the plant will be shared by all three generating units. The offer originally required a decision by May 1, 2007. This has recently been revised to January 1, 2023 since a major participant of the project, the Los Angeles Department of Water and Power (LADWP), could not reach a decision on the issue under the original timeframe.

The City of Burbank adopted a resolution on October 24, 2006 that authorized the renewal of their IPA contract. Other California participants are intending to receive authorization to renew their IPA contracts. LADWP will continue to review the renewal contract and may make a decision prior to the 2023 deadline.

IPA Renewal Agreement

The Renewal Agreement is structured similarly to the original IPP Power Sales Contract. The major differences include the following:

- The term of the Renewal Agreement is from June 16, 2027 to the Final Retirement Date of the project components, which is dependent on the condition of the assets over time. The life of IPA as a political subdivision of the State of Utah is December 31, 2044, which represents the anticipated

- maximum life of the project;
- The facilities would be divided into four components, including each of the generating units, the Southern Transmission System, and the Northern Transmission System, enabling separate termination dates for each component;
- Since the construction and funding of the project are completed the Renewal Agreement does not contain provisions that relate to start-up or initial funding; and,
- There would be the creation of a decommissioning reserve fund for Project Components. This is a current obligation but the original contract did not create a reserve fund.

Staff recommends renewing the IPP contract because it:

1. provides Pasadena with low cost energy that would stabilize power rates through the term of the contract;
2. provides for continued entitlement to capacity and energy from a generating resource that Pasadena has funded;
3. provides for continued use of a major transmission line that Pasadena has funded; and,
4. is not expected to adversely impact Pasadena's ability to meet environmental goals established by the UEA.

Financial Analysis

The cost of IPP power is projected to be below market rates once the debt is paid off. Based on current estimates, IPP power will cost approximately \$36 per megawatt-hour (MWh) in 2024 (\$25/MWh in 2006 dollars), excluding transmission. Renewing the contract would extend this low cost resource and stabilize power rates. The current cost of IPP energy is approximately \$40/MWh, excluding transmission system costs.

In a typical year, Pasadena Water and Power (PWP) imports approximately 800,000 MWh of energy from IPP. This amount is expected to decrease over time as the Utah participants recall their IPP shares. These shares were sold to Pasadena (Excess Purchase) since the Utah participants had no immediate need for the energy. Over time these generation rights have been recalled by the Utah participants and by 2027 all rights will be recalled. Under the Renewal Agreement, Pasadena's share of IPP will decrease to approximately 585,000 MWh/year by 2027.

The replacement cost of IPP energy in 2027 is difficult to estimate due to ongoing technology changes and the evolving energy market. Based on current projections for market prices and estimated generation costs at IPP, it would cost approximately \$12-19 million more per year to replace IPP energy with energy

available in the power market, increasing electric rates by 1-1.3¢/kWh. Over the term of the Renewal Agreement, the savings to Pasadena would be approximately \$200 million to \$300 million over the life of the Renewal Agreement assuming IPP continues operating through 2044.

Any capital improvement projects needed to keep these facilities operational or meet environmental requirements could result in increased costs and therefore a lower net replacement cost. If at any time it appeared that the life extension costs exceeded the savings, then the unit could be decommissioned by vote of the project participants. The Renewal Agreement provides Pasadena with a low cost resource option but does not subject Pasadena to continue in the project if the costs prove to be high.

Environmental Analysis

Coal generating stations are a major contributor of carbon dioxide (CO₂), a greenhouse gas (GHG). While CO₂ emissions have historically not been regulated, there are two new California State laws (AB32 and SB1368) that will go into effect January 1, 2007 that establish standards for base load generation like IPP and set targets for greenhouse gas emissions. There is also consideration at the federal level of legislation to limit greenhouse gases throughout the United States. Under the UEA, Pasadena's goal is to reduce GHG emissions by 25% from 2005 levels.

Because coal-fired power plants like IPP result in approximately twice the greenhouse gases (GHG) caused by natural gas fired power plants, there is concern over these power plants. Approximately 50% of all electricity in the United States is generated by coal-fired plants. Historically, coal has been an inexpensive and domestically sourced resource to meet power requirements. Over the next several decades this dependence on coal may be reduced or the impacts of coal emissions may be reduced through more efficient processes (e.g. coal gasification) or emission extraction (e.g. carbon sequestration).

PWP has recently begun monitoring carbon emissions through the California Climate Action Registry. AB32, recently passed legislation that will go into effect January 1, 2007, will use a similar registry to track carbon emissions for all utilities. One of the goals of AB32 is to restore the GHG emissions by utilities to their 1990 level by the year 2020. The renewal of the IPP contract will not change the need to comply with AB32 and would not impact the ability to comply with the law, as the Renewal Agreement takes effect after 2020. Pasadena and other IPP participants have designed and operated these generators to ensure they are amongst the cleanest coal plants in the United States, and are currently reviewing potential technologies and options to reduce or sequester CO₂ emissions to assist in meeting various GHG reduction goals.

The regulatory process to implement AB32 and SB1386 has not been established and the details of the legislation are still being reviewed. As a result of SB-1368 becoming law, any decision by the City Council to renew IPP after January 1, 2007 will be subject to the CEC review. The CEC has not yet developed a process by which municipal contracts will be reviewed and the evaluation will not have to factor in the rate impacts on Pasadena. While authorizing the Renewal Agreement now may avert the CEC review, it will not remove Pasadena's compliance requirements with either bill.

If Pasadena were to opt not to renew the IPP contract, it is unlikely that this would have any positive impact on GHG emissions. Many utilities in other western states are interested in low cost energy supplied from domestic resources, and there are current examples of utilities from other states looking to build new coal plants or resurrect one which was recently decommissioned by California utilities. If the California participants including Pasadena do not renew their entitlements, the IPP facilities will most likely be taken over by a utility or private generation company that is not regulated by California law and has less interest in pursuing technologies that may mitigate GHG emissions from IPP. Conversely, continued involvement in IPP would allow Pasadena to monitor emissions and promote improvements to meet the required compliance with AB32. For these reasons, PWP believes remaining a participant of the plant provides more control over the impacts of IPP and could result in significant environmental improvements in comparison to a non-California entity owning the plant.

FISCAL IMPACT:

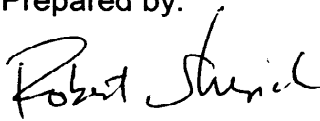
No immediate costs are associated with this renewal contract, but significant savings beyond 2027 are anticipated under current energy market conditions. Any costs or savings would be reflected in the Energy Charge component of Pasadena's electric energy rates.

Respectfully submitted,



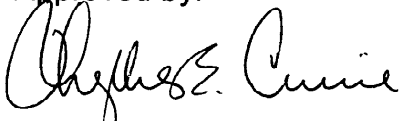
CYNTHIA J. KURTZ
City Manager

Prepared by:



ROBERT SHERICK
Director – Power Supply
Water and Power Department

Approved by:



PHYLLIS E. CURRIE
General Manager
Water and Power Department

Rodriguez, Jane

From: Susan King [kingping1@earthlink.net]
Sent: Sunday, November 05, 2006 12:13 PM
To: Mayor Bogaard; Bogaard, Bill; Little, Paul; Tyler, Sid; Streator, Joyce; Holden, Chris; Gordo, Victor; Madison, Steve; Haderlein, Steve; Rodriguez, Jane; Kurtz, Cynthia
Cc: Currie, Phyllis
Subject: PWP-Timely Extension of Energy Contracts and Integrated Resource Plan

Dear Mayor Bogaard, City Council Members, and City Staff:

This letter is to urge you to expeditiously approve the Pasadena Department of Water and Power's (PWP) Integrated Resource Plan (IRP) and authorize the PWP to extend its long-term contract with the Intermountain Power Agency in Delta, Utah for at least 65% or more of the City's electricity supplies before the provisions of the recently enacted Assembly Bill 32 preclude such extensions, likely resulting in doubled electricity rates.

I am concerned that the pending formation of a citizen Environmental Commission is being hastily formed to vet, and thus unduly delay, the timely approval of the IRP and long-term contract with Intermountain Power to the detriment of the greater public good. Any shift to "renewable" energy sources (e.g., wind, solar, landfill gas) would likely be at double to quadruple the locked-in electricity prices under the current contract with Intermountain Power. This could have unduly detrimental impacts to vulnerable populations such as the elderly and low income persons.

Additionally, I urge you to keep the percentage of "renewable" energy sources under the PWP's Integrated Resource Plan at its current 10% rather than expand it to the proposed 20%. Otherwise, Pasadena is locked in to expensive electricity prices far into the future for 20% of its energy portfolio. Should the pending importation of Liquid Natural Gas (LNG) into California drive natural gas prices downward and/or make its price less volatile, Pasadena would be unable to take advantage of this energy market pricing shift if it has a greater percentage of locked-in contracts with expensive renewable energy suppliers. Gas-fired power plants are much more environmentally clean than coal-fired power plants.

I am concerned that the unforeseen repercussions of AB 32 may be a repeat of the California Energy Crisis of 2001 and I urge you to approve the IRP and long-term contract with Intermountain Power as promptly as possible.

Sincerely,
Susan King
1917 Galbreth Rd.
Pasadena, 91104

X
Date

November 5, 2006

Honorable Mayor Bill Bogaard
Councilmember Joyce Streater
Councilmember Paul Little
Councilmember Chris Holden
Councilmember Steve Haderlein
Councilmember Victor Gordo
Councilmember Sid Tyler
Councilmember Steve Madison
City of Pasadena
117 East Colorado Boulevard
Pasadena, CA 91105

Re: Timely Extension of Energy Contracts and Integrated Resource Plan

Honorable Mayor and Respective Councilmember:

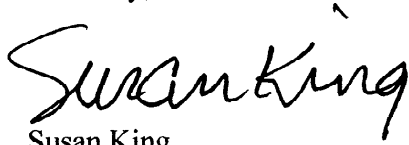
This letter is to urge you to expeditiously approve the Pasadena Department of Water and Power's (PWP) Integrated Resource Plan (IRP) and authorize the PWP to extend its long-term contract with the Intermountain Power Agency in Delta, Utah for at least 65% or more of the City's electricity supplies before the provisions of the recently enacted Assembly Bill 32 preclude such extensions, likely resulting in doubled electricity rates.

I am concerned that the pending formation of a citizen Environmental Commission is being hastily formed to vet, and thus unduly delay, the timely approval of the IRP and long-term contract with Intermountain Power to the detriment of the greater public good. Any shift to "renewable" energy sources (e.g., wind, solar, landfill gas) would likely be at double to quadruple the locked-in electricity prices under the current contract with Intermountain Power. This could have unduly detrimental impacts to vulnerable populations such as the elderly and low income persons.

Additionally, I urge you to keep the percentage of "renewable" energy sources under the PWP's Integrated Resource Plan at its current 10% rather than expand it to the proposed 20%. Otherwise, Pasadena is locked in to expensive electricity prices far into the future for 20% of its energy portfolio. Should the pending importation of Liquid Natural Gas (LNG) into California drive natural gas prices downward and/or make its price less volatile, Pasadena would be unable to take advantage of this energy market pricing shift if it has a greater percentage of locked-in contracts with expensive renewable energy suppliers. Gas-fired power plants are much more environmentally clean than coal-fired power plants.

I am concerned that the unforeseen repercussions of AB 32 may be a repeat of the California Energy Crisis of 2001 and I urge you to approve the IRP and long-term contract with Intermountain Power as promptly as possible.

Sincerely,

A handwritten signature in black ink that reads "Susan King". The signature is written in a cursive style with a prominent loop at the end of the word "King".

Susan King
1917 Galbreth Rd.
Pasadena, CA 91104

cc: Cynthia Kurtz, City Manager
Jane Rodriguez, City Clerk
Phyllis Currie, General Manager, PWP



Union of Concerned Scientists



November 10, 2006

Bill Bogaard, Mayor
City of Pasadena
100 N. Garfield Ave., Room 237
Pasadena, CA 91009

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CITY CLERK
CITY OF PASADENA

Dear Mayor Bogaard,

We write to you on behalf 11 environmental and public health organizations, representing hundreds of thousands of Californians to express our strong opposition to the premature renewal of the Intermountain Power Plant (IPP) contracts being considered by the City of Pasadena. This commitment will completely overshadow Pasadena's past or prospective environmental record. Renewal of these high carbon-emitting generation contracts certainly does not comply with the intent of SB1368 (Perata), and it commits Pasadena's customers to significant financial risks.

We only recently heard about the City of Pasadena's plan vote to prematurely extend its contract with IPP more than 20 years before its expiration, apparently to avoid compliance with SB1368. Unfortunately, the decision to renew the contract does not appear to consider the significant cost exposure to customers that future carbon regulation would create with such a highly carbon-intensive resource; the very real potential to replace this dirty resource with cleaner, more efficient resources over the next 20 years; the fact that California utilities will never be able to bring IPP "up to California standards" or require reduced operations as more renewables come online; nor the impact that this decision could have on the ability of California to reach its CO₂ reduction goals.

SIGNIFICANT FINANCIAL RISK

The primary purpose of SB1368 is to protect California electricity customers from the very real financial and reliability risks posed by future CO₂ regulation. Unfortunately, the recommendation for contract renewal does not appear to consider the impacts of those risks, which could easily run between \$17.7 and \$35.4 million *per year* by 2027 (at a CO₂ cost range of \$25-\$50 per ton). While it is possible that the plant may still run if the contracts are not renewed, it is questionable how much longer it would continue without California's financial support. However, if the contracts are not renewed, Pasadena's customers will no longer be exposed to this financial risk after expiration of the current contracts.

20 WHOLE YEARS TO INVEST IN CLEANER SOLUTIONS

Renewing these contracts a full twenty years before they expire would signal that Pasadena does not believe it can replace this dirty power within this timeframe. This assumption would appear to ignore the tremendous opportunities Pasadena has to increase energy efficiency and renewable resources investment. For example, the latest information available through SCPPA indicates that Pasadena was investing only about half of the average of the investor-owned utilities in cost-effective (re: even cheaper than IPP) energy efficiency. And this level of investment does not even begin to tap the real cost-effective potential that exists in the state. In addition, the state is seriously exploring a move to go well beyond the current 20 percent requirement before expiration of the current contracts. It looks to us like Pasadena has assumed defeat before it has even started. We have more faith in California utilities than this and we applaud LADWP's Board President, David Nahai, who was quoted as saying that he was not worried about replacing the IPP power over the next 20 years. We urge Pasadena to follow their lead.

RENEWING IPP WILL IN NO WAY ENSURE IT WILL SOMEDAY MEET CALIFORNIA STANDARDS

The claim has been made that maintaining control of the plant by California agencies ensures that in the future the plant will meet California standards. SB1368, California's official legal standard, would require that approximately 60 percent of the CO₂ from IPP be captured and sequestered in order to comply. However, unless there is specific assurance in the contract Pasadena is considering signing that the California standards will be met, it is extremely unlikely that this would be possible. Pasadena will have given away any leverage it might have had to make this happen by signing a binding contract 20 years early.

BASELOAD COAL - NOT A FEASIBLE SHAPING RESOURCE FOR WIND

The notion that coal generation could serve as a back-up power source for wind and solar, as some have claimed, is preposterous. The design and operating economics of coal plants dictate that they run as close to continuously as possible. And unless Pasadena has a special contract provision that allows it (as one of many IPP buyers) to order reductions in coal production at IPP as they bring wind power or solar online - which is unlikely - it will not be able to affect the operation of the plant. Normal operations would have IPP simply reselling the output that was temporarily not needed by Pasadena on the spot market.

We urge the City of Pasadena to vote no on prematurely renewing its contracts with IPP which would lock its customers into this dirty resource and its financial risk through 2044. We urge Pasadena to be a leader on both an economically and environmentally responsible energy future for its customers and California.

Sincerely,



Sheryl Carter

Natural Resources Defense Council

On behalf of:

Colleen Callahan
American Lung Association of
California

Tina Andolina
Coalition for Clean Air

Mary Luevano
Global Green USA

Jim Metropulos
Sierra Club California

Karen Douglas
Environmental Defense

V. John White
Center for Energy Efficiency and
Renewable Technologies

John Galloway
Union of Concerned Scientists

Bernadette Del Chiaro
Environment California

Nancy Rader
California Wind Energy Association

Danielle Fugere
Bluewater Network

Cc: Pasadena City Council Members:

Joyce Streater
Paul Little
Chris Holden
Steve Haderlein
Victor Gordo
Steve Madison
Sid Tyler

Rodriguez, Jane

From: Susan King [kingping1@earthlink.net]
Sent: Friday, November 17, 2006 12:13 PM
To: Bogaard, Bill; Bogaard, Bill; Haderlein, Steve; Streator, Joyce; Gordo, Victor; Holden, Chris; Little, Paul; Madison, Steve; Tyler, Sid
Cc: Kurtz, Cynthia; Rodriguez, Jane; Currie, Phyllis
Subject: PWP-Timely Extension of Energy Contracts with Intermountain Power Agency

Dear Mayor Bogaard, Council Members, and City Staff:

I am writing once again to urge you to approve, before the end of 2006, the extension of energy contracts with IPA (Intermountain Power Agency). It is clear, from the PWP's Agenda Report and presentation before the Municipal Services Committee on November 15, 2006, that while approval of such contract extension renewal allows flexibility regarding all matters of concern raised by Council members and others, the rejection of extension renewal does not. Thus, approval does not constrain or prevent in any way the ability of the City to continue to add renewable energy options to the Integrated Resources Plan in years to come. However, rejection of the contract with IPA will likely result in a substantial increase in energy costs because of many factors, among them the much higher expense of renewable energy sources (which are also less reliable) and other costs associated with the absence of the IPA energy source. Once State mandates take effect in January, 2007, there will be nothing that the City can do to recapture this opportunity.

There are two further points -- among many -- that the Council must carefully review before making a decision to approve or reject. One is that in rejecting the renewal of IPA contract extension, we would be walking away from an asset for which the City has paid, and will continue to pay, for many years. The comparison to a home mortgage raised by PWP General Manager Phyllis Currie is, I think, an apt one. And now we will walk away from our almost fully paid-off house? And from the ability to realize lower energy costs in the future because of the investment we have made?

Another point that must be considered if the contracts are not renewed is the potential loss of access to the transmission line from IPP (Intermountain Power Plant) that would serve to transport energy from renewable sources in the future; e.g., wind, etc.! Council members must recognize and carefully consider this factor, if they indeed wish to address environmental concerns, before allowing a contract extension renewal with IPA to lapse.

It should also be noted that a future dramatic increase in electricity costs that will likely result from the Council's failure to approve IPA contract renewal by the end of 2006 WILL AFFECT EVERY RESIDENT OF THE CITY OF PASADENA AS WELL AS EVERY PERSON WHO DOES BUSINESS IN OUR CITY. The Council has a responsibility to the residents of the City of Pasadena and to those who do business here to make economically sound decisions. Failure to do so will have consequences for the economic health of the City of Pasadena and for its residents.

Sincerely,
Susan King
1917 Galbreth Rd.
Pasadena 91104
(626) 798-2352