

Agenda Report

July 27, 2009

TO: CITY COUNCIL

FROM: CITY MANAGER

SUBJECT: DIRECT THE CITY ATTORNEY TO PREPARE AN ORDINANCE TO INCREASE THE ELECTRIC UTILITY ASSISTANCE PROGRAM BASIC BENEFIT DESCRIBED IN PASADENA MUNICIPAL CODE 13.04.040 (F) AND 13.04.045 (F) FROM \$5.00 PER MONTH TO \$7.50 PER MONTH

RECOMMENDATION

It is recommended that the City Council direct the City Attorney to prepare an ordinance to increase the Electric Utility Assistance Program (EUAP) basic benefit, described in Pasadena Municipal Code (PMC) 13.04.040 (F) and 13.04.045 (F) from \$5.00 per month to \$7.50 per month.

EXECUTIVE SUMMARY

As directed by City Council, staff has considered options for providing assistance to low income customers impacted by the recently adopted increase in water rates for Water and Power Department (PWP) customers. For most residential customers, the fixed cost increases range from in \$2.90 - \$5.51 per month effective August 1, 2009. Due to potential legal issues associated with providing assistance from water revenues, any discounts for water rates need to be funded from other revenues. Also, many water customers are renters, and the water bills are paid by a landlord. A credit on water costs would reach primarily those customers who are homeowners.

In light of these challenges, staff recommends increasing the EUAP low income assistance bill credit by \$2.50 per month. The EUAP credit is funded from Public Benefits Charge (PBC) revenues and reaches all of PWP's electric customers, whether renter or homeowner; however, this credit would not be available to water customers who do not have an electric service account with PWP. The recommended EUAP benefit increase is expected to offset all or part of the water rate increase for qualifying customers, depending upon their connection size and water usage patterns.

An informational report on this topic was provided to the Municipal Services Committee at their July 8, 2009 meeting.

BACKGROUND

Legislative Background

PWP does not currently offer any low income rate assistance or subsidies for its water customers, and the legislative record, to date, suggests that such programs could be subject to challenge under Proposition 218. At least two agencies have backed away from offering low income assistance after facing court challenges.

In July 2006, the California Supreme Court decided the Bighorn-Desert View Water Agency v. Beringson case that involves the initiative and property related fee provisions of Proposition 218. The ruling determined that metered rates for consumption of water are "property related fees" within the meaning of Article 13D of the California Constitution. As such, water rates are subject to: (1) notice and public hearing provisions prior to approval; (2) requirements that fees do not exceed costs to serve the property; and (3) strict limitations on use funds. The ruling also applies to sewer service charges and charges for refuse collection where the rate is set by a government agency, as opposed to a privately contracted waste hauler. Subsequent to this ruling, no water agency has been able to demonstrate that low income water service rates or programs comply with these requirements.

Electric Utility Assistance Program

The current EUAP was authorized by the City Council on March 6, 2006, and became effective July 1, 2006. Such programs are clearly supported, and even mandated by state legislation including AB-1890 (1996) and AB-995 (2000). AB-995 extended the mandate with respect to low income programs. Specifically, AB-995 mandates that each municipal electric utility that has not implemented programs for low income electricity customers including targeted energy efficiency services and rate discounts based upon the income level of the customer, or completed an assessment of need for those programs, on or before December 31, 2000, shall perform a needs assessment to determine if such programs are needed, and if found to be so, the municipal electric utility shall further determine the level of funding that should be allocated to create and deploy such programs.

PWP's current rate assistance programs include:

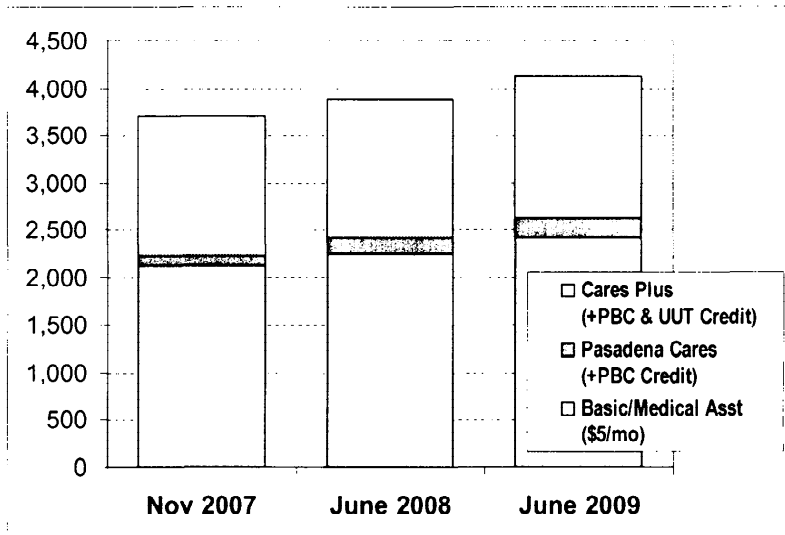
- **EUAP (Basic Benefit)** - A flat \$5.00 per month utility bill credit for customers who meet specified income eligibility criteria (the lowest income criteria used by the City's Housing and Community Development Division for the Rental Assistance Program located in Section 17.80.020 of the City Zoning Code) or who use medically necessary electronic life support or mobility equipment;
- **EUAP (Pasadena Cares)** – Customers meeting income eligibility criteria and are either 62 years of age or older or meet the criteria of disability as established by the Social Security Administration's Supplemental Income Program for the Aged, Blind and Disabled (Title XVI of the Social Security Act, as amended) will receive a bill credit equal to the PBC amount (currently \$0.00573 per kWh, or about

\$2.45 per month on average for qualifying customers) in addition to the EUAP Basic Benefit;

- **EUAP (Pasadena Cares Plus)** – In addition to the Pasadena Cares benefits, qualifying seniors or disabled customers receive an exemption from Pasadena’s Utility Users Taxes (“UUT”) pursuant to Chapter 4.56.210 of the Pasadena Municipal Code. This exemption saves qualifying customers an additional \$2.65 per month on average; and
- **Project APPLE** (Assisting Pasadena People with Limited Emergencies) provides one-time utility bill payment assistance of up to \$100 per year. Funding is provided through donations from PWP customers as well as PBC revenues.

The EUAP basic benefit, defined in PMC sections 13.04.040 (F) and 13.04.045 (F), has been fixed at \$5.00 per month since the EUAP became effective on July 1, 2006. Staff proposes that the basic benefit be increased to \$7.50 per month effective August 1, 2009, or as soon thereafter as the ordinance amendment may take effect.

As of June 1, 2009, a total 4,128 customers were participating in the EUAP: 2,414 customers received the \$5.00/month basic benefit; and 1,714 customers received additional discounts under the Cares and Cares Plus programs. As depicted in the graph to the right, EUAP participation has steadily increased at an average rate of approximately 8% annually.



While trends in EUAP participation have remained relatively steady, project APPLE has seen a 68% increase in participation from 645 customers in FY2008 to over 1,080 customers in FY2009 as a result of the recent economic downturn.

The following table summarizes low income assistance program participation and expenditures. The current FY2010 budget assumes an 8% increase EUAP participation and expenses. The estimated impacts of the proposed \$2.50/month increase in the basic EUAP benefit assume that an additional 5% increase (13.4% overall increase from FY2009) in program participation will result due to the increased benefit and associated outreach. These estimates project that increasing the EUAP benefit would cost the PBC fund an additional \$153,935 annually, reduce UUT revenues by \$4,435 annually, and would result in little or no incremental administrative costs.

Rate Assistance Expense Summary

Program	FY2008 Actual	FY2009 Projected	FY2010 Budget ²	FY2010 w/ Increase ³	Impact of Increase
EUAP Participants	3,881	4,128	4,458	4,681	223
Annual EUAP Incentives	\$248,727	\$291,489	\$314,808	\$468,743	\$153,935
Project APPLE PBC Funding	64,500	108,000	125,000	125,000	0
Total PBC-Funded	313,227	399,489	439,808	593,743	153,935
UUT Refund (PWP Bill)*	54,795	82,144	88,716	93,151	4,435
Project APPLE (donations) ¹	7,555	6,167	7,000	7,000	0
Total Rate Assistance	375,577	487,800	535,524	693,895	158,371

- (1) These costs are not funded by the PBC or Light and Power Fund
- (2) Assumes 8% participation rate increase, but no change in current EUAP benefit
- (3) Assumes additional 5% participation rate increase and \$2.50/month EUAP benefit increase

Ordinarily, any increase in low income benefits would require either an offsetting reduction in energy efficiency program spending or an increase in the formula-driven PBC rate to generate additional revenues to cover the increased expenses; however, PWP anticipates that sufficient carry-over of uncommitted funds from the FY2009 PBC revenues will be available to support an increase of this magnitude. If the EUAP benefits are not increased, these carry-over funds will be allocated to commercial and residential energy efficiency programs.

In addition to rate and bill payment assistance, PWP also offers enhanced rebates, free product distribution or exchanges, and direct install programs to low income customers that are otherwise unable to afford and implement cost saving energy efficient measures. Targeted energy efficiency programs include free distribution of high-efficiency lamps, fans, and refrigerator replacement, as well as customized energy audits, home improvement programs, and informational outreach programs. The projected total spending on income-qualified energy efficiency programs is approximately \$300,000 for FY2009, and \$435,000 is budgeted for FY2010.

Program Outreach

A variety of venues are used to encourage low income customers to participate in efficiency programs, apply for EUAP benefits, and to provide conservation tips. PWP employs regular mass-media advertising including bus shelter posters, Pasadena Weekly, local ARTS bus headers, Pasadena In Focus, etc. PWP provides program information and dozens of community events and retail locations. Pasadena's Community Centers (Jackie Robinson Center, Villa Parke, Senior Center, and Neighborhood Connections) provide program brochures and process EUAP and APPLE applications, and are used to market energy efficiency programs refrigerator exchange program to new EUAP applicants and distribute efficient lights and appliances. Through Outward Bound Los Angeles, over 400 multi-family households are provided free energy surveys, efficient appliances, and EUAP information. MASH distributes efficient lighting and installs solar window screens. Later this year, students from Muir High

School will visit 500 single-family households in low income neighborhoods providing information on energy and water conservation, as well as EUAP and APPLE program information.

Alternatives

The City could develop a program to defray a portion of water costs for low income customers, provided that the program costs are funded from the City's General Fund. Every dollar per month of rate assistance offered to qualified low income customers would require approximately \$53,000 to \$55,000 per year in program funding, plus associated administrative, outreach, and operating costs.

The City Council could direct a larger EUAP benefit increase than that proposed by staff. Staff estimates that doubling the current EUAP benefit to \$10.00 per month would increase EUAP expenses by \$300,000 to approximately \$900,000 per year for low income rate assistance plus \$435,000 for low income energy efficiency programs, for a total of \$1,335,000 for low income programs. The increased low income funding would result in reduced spending on energy efficiency programs, unless the PBC rate is increased.

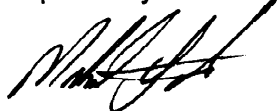
As a potential alternative to increasing EUAP benefits, PWP could increase income qualified energy efficiency program spending, with a goal of reducing each participating EUAP customer's electric bill by at least \$2.50 per month through reduced energy consumption of at least 17 kWh per month. The advantages of such an approach include contributing to the City's environmental programs while providing ongoing (potentially permanent) energy bill reductions for participants. The key drawback, however, is designing programs that are financially viable and can reach all EUAP customers, many of whom are renters and require landlord approval for most appliance changes and building improvements. PWP is reviewing the potential of the following income qualified energy efficiency programs to meet this goal:

- Free high-efficiency lamp exchange or distribution
- Expanded refrigerator replacement program
- Tailored energy, water, and potentially natural gas audits
- No cost home improvement program, potentially including weatherization, HVAC improvements, and installation of water efficient devices.

FISCAL IMPACT

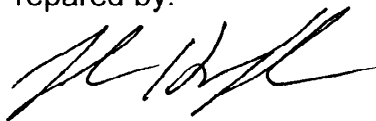
The recommended EUAP benefit increase is expected to increase PBC-funded low income program expenses by approximately \$153,935 per year. Sufficient funds exist in the PBC Fund for FY2010, and will be requested in future year budgets. As a result of increased low income expenditures, other PBC-funded programs may face an equivalent funding reduction in future year budgets or the PBC rate may need to increase to offset these expenditures. The increased benefit will not affect the Light and Power Fund (401) or electric rates. Assuming an additional 5% increase in customer participation in the Pasadena Cares Plus program as a result of increased benefits and outreach, UUT revenues may decline by \$4,435 annually.

Respectfully submitted,



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