

Agenda Report

May 5, 2014

TO: City Council

FROM: City Manager

SUBJECT: Set a Public Hearing for the Recommended Electric Rate Increases and Changes to the Electric Rate Structure

RECOMMENDATION

It is recommended that the City Council:

- 1) Find that the Public Hearing for the Recommended Changes to the electric rates is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15273 (Rates, Tolls, Fares, and Charges).
- 2) Establish a date of June 2, 2014 to conduct a public hearing on the Recommended Electric Rate Increases and Changes to the Electric Rate Structure
 - (a) Increase the Electric Distribution and Customer Charges;
 - (b) Adjust the Electric Distribution and Customer Charge rate structure; and
 - (c) Add new rate components for changes in energy consumption.

BACKGROUND:

PWP is recommending increases for each of the next three years to the Distribution and Customer charges for all electric customers to be effective on July 1 for each year, beginning on July 1, 2015. The recommended system average rate increases for each year are in Table 1.

Table 1

Recommended Electric Distribution and Customer Charge Rate Increases			
Effective Date	Average System Increase	Annual Revenue Impact	Increase ¢ per kWh
July 1, 2014	2.7%	\$4.5 million	0.391¢
July 1, 2015	2.4%	\$4.4 million	0.387¢
July 1, 2016	2.2%	\$4.4 million	0.389¢

PWP is also recommending adjustments to the electric rate structure to address changes in the electric utility industry and PWP’s customer requirements. Table 2 lists key recommended adjustments to the electric rate structure. The rate structure changes recommended in items 1, 2, and 3 in Table 2 are incorporated in the system rate increases in Table 1. These adjustments will ensure true cost recovery and refine the rate structure to accommodate changes in the way energy is consumed by PWP customers.

Table 2

Recommended Adjustments to the Electric Rate Structure Effective July 1, 2014	
Rate	Recommendation
1. Distribution and Customer Charge	Create separate distribution and customer charges for single-family and multi-family residential customers;
2. Distribution and Customer Charge	Eliminate the \$2.00 distribution charge credit for multi-family residential customers;
3. Demand Ratchet	Implement a 4-month billing demand ratchet for all commercial customers with demand meters, and base the customer monthly demand charge on the highest demand in the past four months including the current month.
4. Define Time of Use (“TOU”) periods	Reduce the on-peak (premium priced) time periods for Summer and Winter defined periods
5. Economic Development Rider	Establish rate schedule and rate structure for economic development opportunities for new and existing commercial customers

Increases are also necessary in fiscal year (“FY”) 2015 for the Energy and Public Benefits charges to cover new debt service, energy and natural gas costs as well as fund energy efficiency, solar initiative and low income programs approved by the City Council. These adjustments will be implemented based on formulas defined in the Light and Power Rate Ordinance. The projected system average increase for the Energy and Public Benefits charges is approximately five point six percent (5.6%) and is in addition to the increases to the Distribution and Customer charges in Table 1.

Customer Outreach and Education

Following the City Council workshop on March 31, 2014, PWP staff met with the City Council Field Representatives on April 16 for further discussion. It has been determined that a community-wide “Town Hall” discussion will be the most effective forum to provide information about the rate recommendations to PWP’s customers. In addition, the information will be presented to the Board of the Pasadena Chamber of Commerce

and the fifty largest commercial customers have been notified by separate email. As a result, there have been individual discussions with about fifteen large commercial customers and more meetings are planned through the month of May. Input and feedback from customers will be presented to the City Council at the proposed public hearing on June 2, 2014. Table 3 is a list of the outreach programs and public meetings.

Table 3

Date	Location
April 16, 2014	Discussion with City Council Field Representatives
Upcoming Discussions:	
May 8, 2014	South Lake Business Improvement District
May 22, 2014	Community-wide Town Hall Forum 6:30 to 8:00 p.m. All Saints Church 132 N Euclid Avenue Pasadena, CA 91107
To Be Determined	Chamber of Commerce Board Meeting

In addition to the public discussions, information about the recommended rate adjustments is widely available on PWP’s website and social media outlets, including Facebook and Twitter. A “bill estimator” is available on the website that enables customers to input their own actual energy consumption to determine the approximate impact of the recommended rate adjustments. The “bill estimator” will be available at the community wide meeting on May 22 so PWP staff can assist those customers in attendance. The bill estimator can be accessed on PWP’s website at this address: PWPweb.com/RateChange2014.

FISCAL IMPACT:

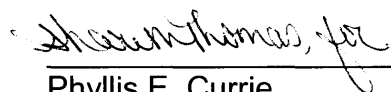
There is no fiscal impact for the action of setting this public hearing date. However, based on projected electric sales and demand for each fiscal year 2015 through 2017 affected by the rate recommendations, the recommended adjustments to the Distribution and Customer charges will generate additional net revenues as shown:

Net Revenue Increases from Distribution and Customer Charge Adjustments			
Rate	FY 2015	FY 2016	FY 2017
Distribution & Customer	\$4,451,032	\$4,393,271	\$4,384,593

The formula-based adjustment for the Energy charge is estimated to generate additional annual net revenues of \$8.2 million and the adjustment for the Public Benefits charge would add net revenues of about \$1.2 million.

The recommended new rate components and changes to electric rate structure are not expected to generate additional revenue.

Respectfully submitted,



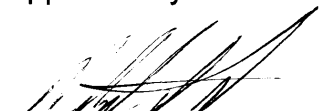
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