

Agenda Report

TO: CITY COUNCIL
THROUGH: DEREGULATION COMMITTEE

April 26, 1999

FROM: CITY MANAGER

SUBJECT: **Authorization to Enter into Contract with R.W. Beck for Direct Access Implementation Plan Services**

RECOMMENDATION

It is recommended that City Council:

1. Authorize the General Manager of Pasadena Water and Power (PWP) to enter into an agreement with R.W. Beck for consulting services to assist Pasadena Water and Power in its implementation of Direct Access in an amount not to exceed \$120,000 without competitive bidding, pursuant to City Charter Section 1002(F) (professional services).
2. Grant this contract an exemption from the competitive selection process of the Affirmative Action in Contracting Ordinance pursuant to P.M.C. 4.09.060 (C) contracts for which the City's best interests are served.

BACKGROUND

On November 18, 1996, Pasadena City Council directed PWP to authorize direct access between electricity suppliers and Pasadena's electricity customers. This action was taken in response to AB 1890 providing for the restructuring of the state's electric utilities. Accordingly, AB 1890 states that "The regulatory body [City Council] shall develop a phase-in schedule at the conclusion of which all customers shall have the right to engage in direct transactions." In this regard, PWP has identified infrastructure, policy and other actions to allow direct access for its customers.

Direct access will be phased in beginning with a pilot January 1, 2000, and continue to be implemented with a goal of being fully implemented by July 1, 2002. There remains a need to develop Direct Access procedures and guidelines and to compose an

integrated plan that assures a coordinated progression towards customer choice for Pasadena's electricity customers. This phase of PWP's direct access implementation will address further development of essential strategies, operational procedures designed to ensure the successful phase-in of Direct Access implementation and market rates.

R.W. Beck will assist PWP in three critical areas of its direct access implementation plan, namely: 1) development of procedures consistent with state SB 477, 2) finalization of the Implementation and Phase-In-Plan, and 3) development of strategies for designing and implementing new electric rates to reflect those of a deregulated marketplace.

State SB 477: SB 477 addresses consumer education and consumer protection requirements that must be in place before utilities can offer direct access to their customers. According to SB 477, utilities are required to establish procedures for addressing consumer complaints, fraudulent practices, and disputes. Additionally, SB 477 requires utilities to conduct consumer education programs, maintain consumer records and documents, verify third-party suppliers, establish standards of confidentiality and implement other pertinent consumer protection and education practices. R.W. Beck would be responsible for facilitation of workshops where the transfer of knowledge will take place from R.W. Beck to PWP staff and will assist PWP in identifying and evaluating the issues addressed in SB 477. R.W. Beck would assist in the formulation of recommendations regarding these issues.

Implementation of Phase-In-Plan: New issues will continue to emerge as PWP moves from the planning to the implementation phase of Direct Access. These include technology decisions on metering, meter interrogation, consolidated billing, billing formats, consumer education and other infrastructure readiness. R.W. Beck, through its technically experienced staff will provide rapid response to information and alternative solutions as anticipated needs arise. Through R.W. Beck, PWP can gain the experience of other California municipal utilities as they address similar issues.

Rate Strategies: PWP must update its cost of service study and develop alternative rate structures for both Direct Access and Core customers. R.W. Beck will provide strategic guidance to staff that will reinforce PWP's competitive market perspective, review cost allocation assumptions and methodologies, and assist with new market based rate design strategies. PWP will continue to do the detailed analysis and design. It is anticipated that R.W. Beck will assist in conducting workshops to provide information on industry experience and trends to reinforce PWP's need for fair, competitive and market based rates for its customers.

PWP desires to retain the services of a consultant with demonstrated experience in the implementation of Direct Access. This is necessary to assure the effectiveness of the Direct Access Plan and for the utility to meet the scheduled implementation milestones for the opening of PWP's borders. R.W. Beck, Inc. is experienced in the Industry and the complexities of Direct Access Implementation issues. Further, R.W. Beck has the knowledge of the City's utility operations, its customer base, competitors, and the other City issues; thus, it is uniquely positioned to be of immediate assistance in Direct Access program implementation. R.W. Beck was an essential advisor to PWP in the development of its Business Plan. Additionally, R.W. Beck has provided critical input in assisting in the development of PWP's direct access strategies.

FISCAL IMPACT

The services to be provided by R.W. Beck are not to exceed \$120,000. This is a deregulation transition cost and as such is expected to be fully recoverable through the state sanctioned Competition Transition Charge (CTC) as provided for under AB 1890. The expenditure will be funded through an allocation from the Light and Power fund.

Respectfully submitted,



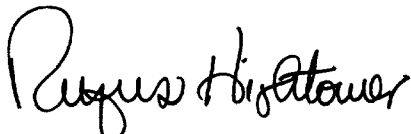
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