

Agenda Report

December 13, 1999

TO: City Council
Through: Deregulation Committee

FROM: City Manager

SUBJECT: Amendment To The Light And Power Ordinance, Chapter 13.04 Of The Pasadena Municipal Code, To Establish A Direct Access Energy Credit And A Direct Access Service Charge For Customers Who Elect To Purchase Electric Power From An Energy Service Provider Other Than The City Of Pasadena.

RECOMMENDATION:

It is recommended that the City Council adopt the accompanying ordinance as a further step in preparing the City's electric utility for success in the forthcoming competitive environment. This ordinance establishes a Direct Access Energy Credit and a Direct Access Service Charge for customers who elect to purchase electric power from an Energy Service Provider other than the City of Pasadena.

BACKGROUND:

In 1996, City Council approved Direct Access for Pasadena Water and Power's (PWP) electric customers for implementation beginning January 1, 2000. In addition, on April 26, 1999 at a public hearing, City Council approved a Direct Access Phase-In Schedule, Direct Access Regulation No. 22, a non-bypassable generation related charge and directed the City Attorney to prepare an amendment to the Light and Power Rate Ordinance to establish the following three items.

1. Direct Access Energy Credit: Those customers who choose to purchase their power from an Energy Service Provider (ESP) other than PWP will continue to pay the currently established Pasadena electric rates, including ECAC, but will receive a credit from PWP based on the local price of electricity as established by a regional power pool approved by the Federal Energy Regulatory Commission and their hourly usage. An example of the methodology for calculating this credit is included as Attachment I to this document.
2. Direct Access Service Charge: All customers who choose to participate in Direct Access will be required to pay all incremental costs incurred by PWP to implement their Direct Access. On April 26, 1999, City Council directed the

creation of a Direct Access Meter Charge to cover the meter portion of the incremental costs. Since this is only one of several expected incremental costs to be borne by PWP, the Ordinance is written to create a Direct Access Service Charge, which will encompass the initial cost and installation of the meter (i.e.: Direct Access Meter Charge) and all related ongoing charges as defined in Regulation 22.

3. Virtual Direct Access Energy Rates: Staff will return to City Council with an ordinance for Virtual Direct Access at the completion of the Cost of Service Study and rate restructuring currently underway. The Cost of Service Study and rate restructuring authorized by City Council have an expected completion/implementation date no later than July 1, 2002.

FISCAL IMPACT:

The implementation of this phase of Direct Access is expected to have a minor impact on revenues to Pasadena Water and Power due to three reasons:

1. A significant number of large customers have been retained through the Equity Adjustment Contracts
2. Current residential rates are below market and small business rates are competitive
3. Any excess energy can be sold into the ISO.

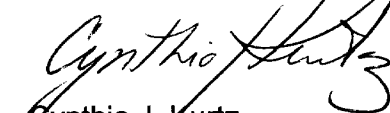
As a result, it is expected that PWP revenues will experience only minor changes. Furthermore, any incremental costs related to Direct Access have been accounted for in the Water and Power Fund operating budget with the exception of any new costs associated with the Direct Access Service Charge, which will be borne by the customers requesting Direct Access.

Prepared by:



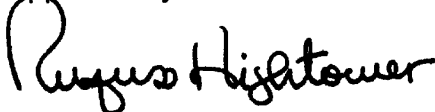
Jay Panzica
Director Finance and Administration
Pasadena Water and Power

Respectfully submitted,

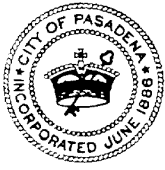


Cynthia J. Kurtz
City Manager

Approved by:



Rufus Hightower
General Manager
Pasadena Water and Power



Ordinance Fact Sheet

December 13, 1999

TO: City Council

FROM: City Manager

SUBJECT: Amendment To The Light And Power Ordinance, Chapter 13.04 Of The Pasadena Municipal Code, To Establish A Direct Access Energy Credit And A Direct Access Service Charge For Customers Who Elect To Purchase Electric Power From An Energy Service Provider Other Than The City Of Pasadena.

TITLE OF PROPOSED ORDINANCE:

An Ordinance Of The City Of Pasadena Amending The Light And Power Ordinance, Chapter 13.04 Of The Pasadena Municipal Code, To Establish A Direct Access Energy Credit And A Direct Access Service Charge For Customers Who Elect To Purchase Electric Power From An Energy Service Provider Other Than The City Of Pasadena.

PURPOSES OF THE ORDINANCE:

In 1996, City Council approved Direct Access for Pasadena Water and Power's (PWP) electric customers for implementation beginning January 1, 2000. In addition, on April 26, 1999 at a public hearing, City Council approved a Direct Access Phase-In Schedule, Direct Access Regulation No. 22, a non-bypassable generation related charge and directed the City Attorney to prepare an amendment to the Light and Power Rate Ordinance to establish the following three items.

1. Direct Access Energy Credit: Those customers who choose to purchase their power from an Energy Service Provider (ESP) other than PWP will continue to pay the currently established Pasadena electric rates, including ECAC, but will receive a credit from PWP based on the local price of electricity as established by a regional power pool approved by the Federal Energy Regulatory Commission and their hourly usage. An example of the methodology for calculating this credit is included as Attachment I to this document.

MEETING OF _____

AGENDA ITEM NO. _____

2. Direct Access Service Charge: All customers who choose to participate in Direct Access will be required to pay all incremental costs incurred by PWP to implement their Direct Access. On April 26, 1999, City Council directed the creation of a Direct Access Meter Charge to cover the meter portion of the incremental costs. Since this is only one of several expected incremental costs to be borne by PWP, the Ordinance is written to create a Direct Access Service Charge, which will encompass the initial cost and installation of the meter (i.e.: Direct Access Meter Charge) and all related ongoing charges as defined in Regulation 22.

3. Virtual Direct Access Energy Rates: Staff will return to City Council with an ordinance for Virtual Direct Access at the completion of the Cost of Service Study and rate restructuring currently underway. The Cost of Service Study and rate restructuring authorized by City Council have an expected completion/implementation date no later than July 1, 2002.

REASONS WHY LEGISLATION IS NEEDED:

Charges for electrical energy must be prescribed by ordinance pursuant to Charter Section 1403.

PROGRAMS, DEPARTMENTS OR GROUPS AFFECTED:

All customer classes taking service from Pasadena Water and Power will be eligible, subject to Regulation 22.

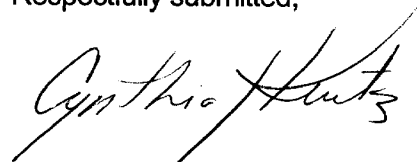
Fiscal Impact

The implementation of this phase of Direct Access is expected to have a minor impact on revenues to Pasadena Water and Power due to three reasons:

1. A significant number of large customers have been retained through the Equity Adjustment Contracts
2. Current residential rates are below market and small business rates are near market
3. Any excess energy can be sold into the ISO.

As a result, it is expected that PWP will lose very few customers. Furthermore, any incremental costs related to Direct Access have been accounted for in the Water and Power Fund operating budget with the exception of any new costs associated with the Direct Access Service Charge, which will be borne by the customers requesting Direct Access.

Respectfully submitted,



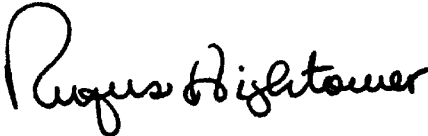
CYNTHIA J. KURTZ
City Manager

Prepared by:



Jay Panzica
Director Finance and Administration
Pasadena Water and Power

Approved by:



Rufus Hightower
General Manager
Pasadena Water and Power

Introduced by Councilmember _____

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF PASADENA ESTABLISHING A DIRECT ACCESS ENERGY CREDIT AND A DIRECT ACCESS SERVICE CHARGE FOR CUSTOMERS WHO ELECT TO PURCHASE ELECTRIC POWER FROM AN ENERGY SERVICE PROVIDER OTHER THAN THE CITY OF PASADENA AND AMENDING THE LIGHT AND POWER ORDINANCE, CHAPTER 13.04 OF THE PASADENA MUNICIPAL CODE ACCORDINGLY

The City Council of the City of Pasadena hereby ordains as follows:

Section 1.

- A. Pursuant to California Public Utilities Code Section 9600 *et seq.* [added by A.B. 1890, ch. 854 (1996)], the City Council of the City of Pasadena authorized direct access between Pasadena Water and Power Department electric customers and other electricity providers (“Direct Access”).
- B. In accordance with Public Utilities Code Sections 9602(b) and 9602(c), on April 26, 1999, the City Council of the City of Pasadena approved a Direct Access phase-in schedule for all customer classes commencing January 1, 2000 and to be completed by June 30, 2002, at which time all customers shall have the right to engage in direct transactions with other electricity providers. The Direct Access phase-in is equitable to all customer classes, in accordance with Public Utilities Code Section 9602(d).
- C. At the April 26, 1999 public hearing, the City Council adopted Regulation 22 governing Direct Access implementation and directed the City Attorney to prepare an amendment to the Light and Power Rate Ordinance establishing a Direct Access energy credit and a Direct Access meter charge.
- D. The City Council of the City of Pasadena, a charter city, may establish the rate of service for electrical energy, in accordance with applicable law. In accordance with Section 1403 of the City Charter of the City of Pasadena and all other applicable law, the City Council hereby establishes the Direct Access Energy Credit to be applied in conjunction with the existing electric rates as set forth in the Light and Power Rate Ordinance, and the Direct Access Service Charge.

Section 2. Chapter 13.04 of the Pasadena Municipal Code is hereby amended by adding a new Section 13.04.095 to read as follows:

“Section 13.04.095 Direct Access Service.

- A. Pasadena Water and Power shall begin accepting Direct Access Service Request (DASR) applications on January 1, 2000 and start Direct Access on March 31, 2000. The Direct Access Service is available to all Pasadena Water and Power electric customers who elect to purchase electric power from an Electric Service Provider (ESP) other than Pasadena Water and Power, subject to Regulation 22 and metering and billing infrastructure limitations. All customers shall have this option no later than July 1, 2002. Direct Access customers can only have one ESP at any given time. The ESP shall comply with the requirements specified in Regulation 22.
- B. Direct Access customers shall require a telephone interfaced Interval Demand Recording (IDR) meter before they may be eligible for Direct Access. PWP shall install and maintain all meters. In addition, Direct Access customers shall utilize Pasadena Water and Power, or its designee, as their Meter Services Provider, and shall receive separate billing services from Pasadena Water and Power and the ESP for their respective services.
- C. Direct Access customers shall pay currently established Pasadena electric rates, including but not limited to, ECAC, (Municipal Code Section 13.04.170), which recovers Pasadena’s costs for fuel and purchased power and shall receive a Direct Access Energy Credit.

Section 3. Chapter 13.04 of the Pasadena Municipal Code is hereby amended by adding a new Section 13.04.096 to read as follows:

“Section 13.04.096. Direct Access Energy Credit

- A. All Direct Access customers shall receive a Direct Access Energy Credit (DAEC) from Pasadena Water and Power.
- B. B. The DAEC shall be computed each month by Pasadena Water and Power and will be calculated based upon the customers actual hourly energy usage in KWh (adjusted by the appropriate Distribution Loss Factor) multiplied by the local hourly market clearing price of electricity, as established by a regional pool approved by the Federal Energy Regulatory Commission, including ancillary services.

Section 4. Chapter 13.04 of the Pasadena Municipal Code is hereby amended by adding a new Section 13.04.097 to read as follows:

“Section 13.04.097 Direct Access Service Charge.

Direct Access customers shall pay a Direct Access Service Charge (DASC) to cover all incremental costs relating to Direct Access. This includes, but is not limited to, the initial cost and installation of the meter (i.e.: Direct Access Meter Charge) and all related ongoing charges as defined in Regulation 22. The Direct Access Meter Charge shall be due and payable upon submission of the Direct Access Service Request and prior to initiation of Direct Access Service. The DASC will be established by City Council on an annual basis as part of the Taxes, Fees and Charges Resolution.

Signed and approved this ____ day of _____ 1999.

Mayor of the City of Pasadena

I HEREBY CERTIFY that the foregoing ordinance was adopted by the City Council of the City of Pasadena at its meeting held _____, 1999 by the following vote:

Ayes:

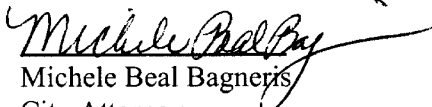
Noes:

Absent:

Published: _____, 1999
Pasadena

City Clerk

Approved As to Form:


Michele Beal Bagneris
City Attorney