

# Agenda Report

DATE: January 14, 1998

TO: CITY COUNCIL

FROM: PHILIP A. HAWKEY, City Manager

SUBJECT: **OPPOSITION TO FEDERAL LEGISLATION REGARDING ELECTRIC INDUSTRY DEREGULATION (S.1483 MURKOWSKI & HR.655 SCHAEFFER)**

**RECOMMENDATION:**

It is recommended that the City Council adopt the attached resolution in opposition to federal legislation S.1483 (Murkowski) and HR.655 (Schaeffer) regarding electric industry deregulation.

**BACKGROUND:**

**S.1483**

Senator Frank Murkowski (R-Alaska) introduced S.1483 which would require public power entities such as Pasadena to refinance all "callable" tax-exempt bonds if they are going to offer their customers a choice of electricity suppliers. This is an important issue for Pasadena because the Water and Power Department has approximately \$70 million of outstanding tax-exempt debt, and another \$450 million of power supply obligations, which would be adversely affected by this legislation. Elimination of the tax-exempt status of these bonds could cost Pasadena Water and Power customers as much as \$100 million in increased energy costs over the life of the bonds. If this legislation were to become law, then Pasadena would be penalized for offering its customers a choice of their electricity suppliers as it intends to do starting the year 2000. Therefore staff recommends that the City Council oppose this legislation.

**AB.655**

Representative Dan Schaefer (R-Colorado) introduced comprehensive legislation to deregulate the electric industry at a national level. This bill would mandate a fully deregulated electric industry, including municipal utilities such as Pasadena, by December 15, 2000. Even though Pasadena is planning on offering its customers a choice starting the year 2000, this legislation would remove that local control and force all electric suppliers to

City Council  
January 14, 1998  
Page 2

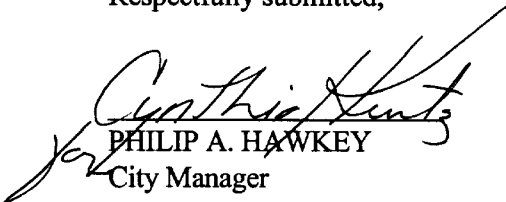
follow a federal program that may adversely affect Pasadena. For example, this bill requires the Federal Energy Regulatory Commission (FERC) to implement customer choice programs for any utilities which have not elected to do so by Dec 15, 2000. Therefore staff recommends that the City Council oppose this legislation.

The Deregulation Committee has recommended that the City Council adopt a position in opposition to both pieces of legislation.


**FISCAL IMPACT:**

There is no direct fiscal impact associated with this action, however adverse legislation could have a significant fiscal impact in the future.

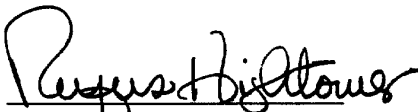
Respectfully submitted,

  
PHILIP A. HAWKEY  
City Manager

Prepared by:

  
MANUEL A. ROBLEDO  
Business Unit Director  
Power Supply Business Unit

Approved by:

  
RUFUS HIGHTOWER  
General Manger  
Water and Power Department