

Agenda Report

Date: March 1, 1999

To: CITY COUNCIL
THROUGH DEREGULATION COMMITTEE

From: CITY MANAGER

Subject: PUBLIC BENEFITS CHARGE (PBC) Customer Programs

RECOMMENDATION

It is recommended that the City Council reallocate PBC funds among the following categories: (1) residential services, including low-income; (2) business services; (3) school initiatives; and (4) research, development and demonstration as shown in Exhibit 1.

BACKGROUND

California Assembly Bill 1890 mandates that investor-owned and community-owned utilities "establish a non-bypassable, usage-based charge on local distribution service of not less than the lowest expenditure level of the three largest electrical corporations in California on a percent of revenue basis, calculated from each utility's total revenue requirement for the year ended December 31, 1994. . .to fund investments by the utility and other parties in any or all of the following:

"(1) Cost-effective demand-side management services to promote energy efficiency and energy conservation; (2) new investment in renewable energy resources and technologies consistent with existing statutes and regulations, which promote those resources and technologies; (3) research and development and demonstration programs for the public interest to advance science or technology, which is not adequately provided by the competitive and regulated markets; (4) services provided for low-income electricity customers, including but not limited to targeted energy efficiency service and rate discounts."

On Nov. 10, 1997, in response to AB 1890, the City Council approved an amendment to Chapter 13.04 of the Pasadena Municipal Code to establish a Stranded Investment Surcharge and a Public Benefits Charge (PBC).

After review by the Deregulation Committee, the City Council subsequently approved the following PBC programs and allowed for future reviews of actual spending and adjustments to programs as necessary:

Program	Budgeted Jan 98 - Dec 98	Actual Spent Jan 98 – Dec 98
Low Income and Lifeline		
SIS Surcharge Rebate		
PBC Surcharge Rebate		
Lifeline Rebate		
Communication / Promotion		
Administration		
Subtotal	\$2,000,000	\$130,000
Residential		
Security Night Light		
Compact Fluorescent Lamps		
Spare Refrigerator Replacement		
Community Events		
Home Energy Audits		
Subtotal	\$190,000	\$30,000
Commercial		
High Efficiency Lighting Program (HELP)		
Cool Storage		
Supermarket and Commercial Refrigeration		
Efficient Motors		
Facility Evaluations		
Demand Side Management – Customer Specific		
Energy Workshops		
Subtotal	\$680,000	\$150,000
Educational	\$40,000	\$20,000
Research, Development and Demonstration	\$30,000	\$20,000
Renewable Resources	\$0	\$0
Communication Campaign	\$20,000	\$25,000
Administration	\$82,200	\$20,000
GRAND TOTAL	\$3,042,200	\$395,000

Based on actual demand, staff is proposing changes to the allocation in the current PBC programs to make them more effective. Certain programs listed above would be consolidated into new categories and others would be renamed but not consolidated with others. For example, Low Income and Lifeline would be combined with Residential; Research, Development and Demonstration would be combined with Renewable Resources; Communications Campaign and Administration would be divided among all categories.

The new proposed categories are as follows:

Summary of Proposed Annual PBC Allocations		
Categories	Proposed	Current
Residential Services (Including Low-Income)	\$1,550,000	\$2,190,000
Business Services	\$960,000	\$780,000
School Initiatives	\$250,000	\$40,000
Research, Development, and Demonstration	\$290,000	\$30,000
Totals	\$3,050,000	\$3,040,000

Following is a summary of each proposed category. See Exhibit 1 for proposed budget detail.

Residential Services (including low-income)

Assistance to low-income customers will continue to be the highest priority. More than 2,700 customers have enrolled in low-income and Lifeline programs as a result of intensive outreach over a two-year period, and will now receive the following expanded services:

- Stranded Investment Surcharge and PBC credits: a continuation of this program, funded by PBC revenues to offset charges on low-income customers' utility bills.
- Lifeline Rate Discounts: funded by PBC revenues
- Project A.P.P.L.E. Assistance: not included in the original PBC programs
- Compact Fluorescent Light Bulbs (CFLs) and Showerheads: Up to six free CFLs per low-income customer, and one showerhead distributed with updated information on energy conservation.
- Energy-Efficient Refrigerator Replacements: 300 extremely inefficient refrigerators will be identified and replaced with 15- or 19-cubic-foot apartment-sized refrigerators that will save low-income customers at least \$150 annually. The Department will purchase the refrigerators at a bulk rate through a national utility initiative. The inefficient refrigerators will be recycled through an existing PWP program.
- Safe and Efficient Fans: 500 fans will be distributed to provide additional comfort during hot summer months with only a small increase in electricity usage.

All residential customers will be eligible to receive the following services:

"Energy Star" Incentive Program: \$100 to \$200 incentives if customers purchase "Energy Star" super-efficient household appliances and other products for the home. "Energy Star" is a label created by the U.S. Environmental Protection Agency and Department of Energy to help consumers save money and reduce air pollution. An appliance or product with the Energy Star label means that it's in the top of its class for energy efficiency and exceeds the minimum federal standards by at least 20%. Energy Star labels are found on household appliances, home electronics, office equipment, heating and cooling equip-

ment, windows, residential light fixtures, and other products. These products are made by all major manufacturers and are available at stores everywhere.

- Promotional incentives: purchasing new-generation water efficient showerheads; compact fluorescent bulbs; and whole-house fans.
- The Department will continue to fund the used refrigerator recycling service at no cost to residential customers.
- Updated consumer information on saving energy and lowering bills.

Business Services

To encourage innovation and customized energy solutions, the Department will work closely with commercial customers to help them maximize their energy productivity.

- Energy Partnering Program: a wide range of measures to boost energy efficiency and productivity. As an incentive, the Department will match first-year energy savings while capping the incentive at 25% of the project's cost. Essentially, the Department will buy-down the projected payback by a year while limiting the overall payback periods of funded projects to four years.
- Energy-Saving Information: the Department will provide commercial customers with updated business energy information; conduct workshops for specific segments, e.g. hotels, food service, retail; and provide on-site technical assistance by credible third parties as needed. The Department will also use its position to purchase national research on efficiency on behalf of its large commercial accounts.

School Initiatives

- School Efficiency Curriculum: the Department sees an opportunity to educate tomorrow's customers by sponsoring education programs on energy and water efficiency for sixth graders in Pasadena schools. Using an interactive approach that takes learning and the search for efficiency into the home, each student will be given a kit that includes basic efficiency hardware such as CFLs, showerheads, faucet aerators, etc., as well as exercises to measure the savings. The school program also includes teacher instruction and a fun, interactive CD-ROM.
- Pasadena Schools Grant Program: funding for hands-on learning about energy and its critical interface with the environment. For instance, based on the submission of solicited grant proposals, high schools will have the opportunity to host demonstration photovoltaic systems that can be monitored by students. Staff will work with the School Board to encourage local schools to submit proposals for energy-related projects that can be funded using PBC money, such as efficiency retrofits, tree planting, light roofs, and energy patrols.

Research, Development and Demonstration

- Innovative Research Partnerships: \$280,000 will be set aside for partnerships. That may

include the demonstration of distributed energy systems such as a micro-turbine installation at a customer site. RD&D funds could be used to demonstrate state-of-the-art automatic meter reading linked with sophisticated energy management, or cool communities with shade trees and white roofs. The Department can work with large customers on innovative energy management partnerships or may lease demonstration electric vehicles and/or install additional electric charging stations. Another option is accelerating the installation of LED traffic signals in collaboration with the Public Works Department.

PBC programs as proposed provide assistance to low income customers, energy savings incentives for residential customers and energy savings incentives for commercial and institutional customers. By building on past energy efficiency initiatives, the PBC program continues a long tradition of providing value added services.


In summary, PBC creates successful opportunities for the city, the Department and the community we serve. It provides opportunities to build good will in the community, steer customers toward cost-effective opportunities, and demonstrate new technologies. In addition, by helping customers invest in efficiency measures to lower their utility bills and allow them to spend this money on their families, their homes and businesses, it will help support the Department's position as the trusted energy provider in Pasadena in the coming competitive electricity marketplace.

FISCAL IMPACT

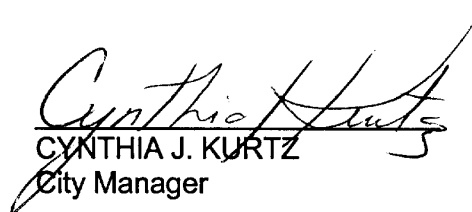
On an annualized basis, 2.85% of revenues represents approximately \$3.04 million per year. The proposed programs would be funded from public benefit charges already approved by the City Council. Expenditure of these funds does not need to be correlated to the PBC collection schedule. Funds not expended during any program year will be carried forward to fund future programs, allowing the utility to extend the benefits of PBC beyond the collection period. However, all monies collected for "public goods" ultimately must be expended for PBC purposes.

Prepared by:

Respectfully submitted,



DONALD M. RAPPE
Business Unit Director

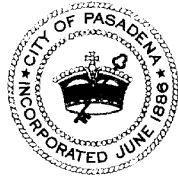


CYNTHIA J. KURTZ
City Manager

Approved by:



RUFUS HIGHTOWER
General Manager



OFFICE OF THE CITY MANAGER

February 25, 1999

To the Honorable City Council
of the City of Pasadena

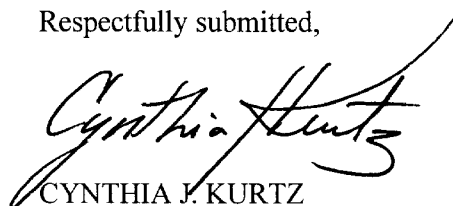
Mayor and Councilmembers:

**Clarification on the Agenda Report
Regarding the Public Benefits Charge (PBC) Funds**

At its February 24, 1999 meeting, the Deregulation Committee requested that staff provide the following clarifications to the proposed Public Benefit programs contained in the Agenda Report:

- 1) In an effort to increase participation in the Low Income and Lifeline programs, the Department will utilize other City agencies' customer database, such as Public Health Department, Housing and Development Department, and Human Services, Recreation and Neighborhoods Department. The Department will also participate in community outreach, and work with Neighborhood Connections and community based organizations (senior centers, churches, Salvation Army, etc.) to promote Low Income and Lifeline programs.
- 2) The promotion of Energy Efficient Fans for Low-Income and Lifeline customers will be on a replacement basis.

Respectfully submitted,


CYNTHIA J. KURTZ
City Manager

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