

City of Pasadena

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September 14, 1998

ADDENDUM TO CITY COUNCIL REPORT

To: City Council

From: Acting City Manager

Subject: Addendum To Agenda Report: GRANTING THE GENERAL MANAGER OF THE WATER AND POWER DEPARTMENT THE AUTHORITY TO FINANCE WATER AND ELECTRIC SYSTEM INFRASTRUCTURES AND BEHIND-THE-METER WATER AND ENERGY RELATED PROJECTS.

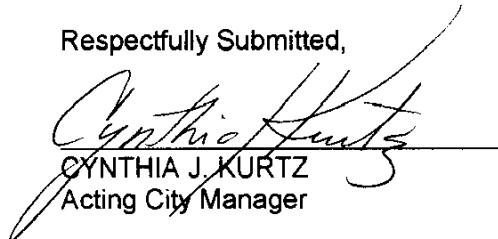
The following clarifications were requested by the Deregulation Committee on September 9, 1998; they replace information contained in the agenda report:

An upper dollar limit of any financed contracts shall not exceed \$30,000 and the finance rate shall not be below the Department's rate of return on its investments.

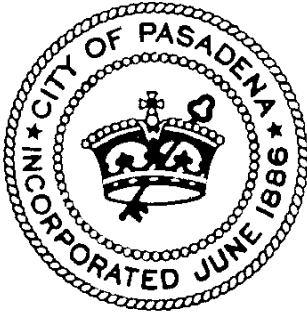
The Deregulation Committee will be presented annually with a status report with the number and dollar amount of executed customer financing contracts, preferably during the Department's budget cycle.

There will be no impact on the stranded investment recovery plan. Additionally, no rates will be increased as a result of this program. All projects financed by the Department will be fully recoverable and not be below the Department's rate of return on its investments. Based on current customer demands for such financing, annual expenditures for this program are estimated to be in the neighborhood of \$200,000 with a contract term ranging from 4 to 10 years.

Respectfully Submitted,


CYNTHIA J. KURTZ
Acting City Manager

9/14/98
5.B.2



Agenda Report

Date: SEPTEMBER 14, 1998

To: CITY COUNCIL
THROUGH DEREGULATION COMMITTEE

From: ACTING CITY MANAGER

Subject: **GRANTING THE GENERAL MANAGER OF THE WATER AND POWER DEPARTMENT THE AUTHORITY TO FINANCE WATER AND ELECTRIC SYSTEM INFRASTRUCTURES AND BEHIND-THE-METER WATER AND ENERGY RELATED PROJECTS.**

RECOMMENDATION

It is recommended that the City Council adopt a resolution authorizing the Water and Power General Manager to offer financing to its General Service (Schedule G-1) and General Demand Service (Schedule G-2) customers for utility related infrastructure projects, service improvements, upgrades, as well as water and energy related behind-the-meter products and services. It is further recommended that this financing be made available to Large Power Service (Schedule P & PV) customers. The contract will contain appropriate language terms to ensure that the customer remains a Pasadena Water and Power customer throughout the term of the contract. All financing shall be recovered within the term of the contract. An upper dollar limit of any financed contracts shall not exceed \$30,000.00 and finance charges shall not be below the Department's cost of funds.

BACKGROUND

As a result of impending de-regulation, utilities across the country have instituted means of generating new revenues and expanding the services offered to customers. Accordingly, the Water and Power Department (Department) has taken similar steps.

Department customers have expressed desires for financing of utility system infrastructures, service improvements, upgrades, and well as water and energy related behind-the-meter products and services. Customers have indicated a willingness to enter

into contracts as part of a financing agreement to accomplish these projects and to secure financing. With the onset of deregulation, marketers, energy service companies, and other nearby utilities are offering similar options to customers as part of retention and sales strategies.

Any customer financing of behind-the-meter projects shall be fully recovered by the expiration of the contract and the interest rate charged for any customer project financing shall not be less than the Department's cost of funds. Customer projects financed by the Department, as part of a long term contract may be secured by sufficient collateral and/or approved bank letters of credit or other financial instruments to fully protect the amount of the Department's investment.

Contract language will include provisions that the customer remains a water and power requirements customer of the Department for at least the term of the loan. The total amount of individual contracts shall not exceed \$30,000.00, however the Department shall have the discretion of determining the contractual dollar amount will be all or part of the project(s) cost. Early contract termination provisions shall be structured to ensure recovery of any and all investments including interest specified in the contract.

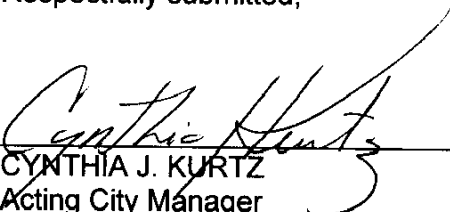
By giving the Department the ability to finance utility project related contracts with General Service (G-1) and General Demand Service (G-2), it will increase the portfolio of its offerings to more of its customers and at the same time retain them in a deregulation environment. Large Power Service (Schedule P & PV) customers if interested may participate in this program.

Having the ability to finance customer projects, the Department will promote its opportunities to provide customers with a supporting menu of products and services. It enhances the ability to do behind-the-meter services which is part of the Department's Business Plan objectives and is an essential attribute of marketing and customer retention strategies.


FISCAL IMPACT

The fiscal impact should be viewed as a customer retention opportunity and all projects financed by the Department will be fully recoverable and not below the Department's cost of capital.

Respectfully submitted,


CYNTHIA J. KURTZ
Acting City Manager

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Water and Power Department

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