

Introduced by Councilmember

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF PASADENA AMENDING THE LIGHT AND POWER RATE ORDINANCE, CHAPTER 13.04 OF THE PASADENA MUNICIPAL CODE TO AUTHORIZE THE GENERAL MANAGER OF THE WATER AND POWER DEPARTMENT TO ENTER INTO LONG TERM CONTRACTS FOR ENERGY AND ENERGY RELATED PRODUCTS AND SERVICES WITH CERTAIN COMMERCIAL, INDUSTRIAL AND INSTITUTIONAL CUSTOMERS

WHEREAS, Section 1006 of the City Charter of the City of Pasadena reposes officers in charge of the water and power utilities with the authority to contract for the sale of products, commodities and services of the Water and Power Department (the "Department") in accordance with that section; and

WHEREAS, Section 1403 of the City Charter of the City of Pasadena provides that the charges for water and electrical energy shall be prescribed by ordinance; and

WHEREAS, Chapter 13.04 of Title 13 of the Pasadena Municipal Code establishes the rates to be charged and collected for furnishing and delivering electrical energy, as well as the applicable terms, provisions and conditions; and

WHEREAS, City has authorized the phase-in of direct access for Pasadena customers beginning in the year 2000 which permits Electric Service Providers to offer electricity and other energy services to customers who are currently served by the Water and Power Department. Specifically, competitors seek to provide service to current customers of the Department and to commit these customers immediately to receive their services at the time of direct access; and

WHEREAS, large commercial, industrial and institutional customers such as those in customer classes P, PV, and G2, are an invaluable portion of the customer base of the City as they provide a significant portion of the income from electrical services; and

WHEREAS, the retention of current customers will contribute to the economic stability of the Department and the City and collectively, retention of these customers will result in added long range revenue; and

WHEREAS, the Department may be at considerable risk of losing its large commercial, industrial and institutional customers to competitors at the time of direct access and the City desires to retain all of its existing customers after direct access is implemented; and

WHEREAS, long term contracts will be offered to customers in certain rate classes having a load factor above a determined minimum amount and will include equity adjustments based upon certain criteria; and

WHEREAS, the Department has identified and designated funds totaling the amount of anticipated revenue needed to fund the equity adjustment for each customer

9/21/98
9.B.2.

entering into an agreement, will not execute agreements in excess of the funds available to offset the anticipated revenue reduction, and will not divert funds from any revenue designated to support the financial plan or debt service; and

WHEREAS, entering into long term contracts with certain commercial, industrial and institutional customers will not have the effect of increasing the rates of any other customers; and

WHEREAS, the Department will continue to collect from each customer, at a minimum, the revenues necessary to cover the market rate for energy and the Department's transmission and distribution costs, including but not limited to debt service and other expenses. The criteria and parameters for eligibility for this program ensure that no customer will be offered an equity adjustment where the resultant rates would not meet these minimums; and

WHEREAS, in accordance with Sections 13.04.176 and 13.04.280 of the Pasadena Municipal Code, the equity adjustment will not apply to the Stranded Investment Surcharge, the Public Benefit Charge or any applicable taxes, fees or similar assessments on such services.

The People of the City of Pasadena ordain as follows:

Section 1. Chapter 13.04 of the Pasadena Municipal Code is hereby amended by adding a new Section 13.04.075 to read as follows:

"13.04.075 Long Term Contracts.

A. For the purposes of this Section, certain terms used herein are defined as follows:

1. "Energy Bill" shall mean the bill for energy and energy related products and services provided by the Department.
2. "Energy and Energy Related Products and Services" shall mean only the energy, products and services provided by the Department.
3. "Equity Adjustment" shall mean any and all rate reductions offered pursuant to this Section and as limited under this Section, calculated against the electric rates in existence as of September 14, 1998. The equity adjustment shall apply only to that portion of the rate which constitutes the generation, transmission and distribution portion of the rates and will not affect the collection of the stranded investment surcharge, the public benefit charge, or any applicable taxes, fees or other similar assessments required by local, state or federal law.
4. "Long Term Contract" shall mean a contract between the Department and any eligible P class customer receiving a voltage discount or any other

eligible P class customer, for energy needs for a minimum term of five years or a contract between the Department and any eligible G2 class customer served at 100 kw or higher for a minimum term of four years, which provides an equity adjustment in return for remaining a customer of the Department with a minimum load and load factor, pursuant to this Section.

5. "Total Equity Adjustment" shall mean all equity adjustments for which a customer's meter or meters may qualify under each subsection of this Section, and in accordance with the provisions of this Section.

B. Notwithstanding any other provision of this Code, the General Manager of the Department may enter into long term contracts, in accordance with the provisions of this Section, this Code and the City Charter, for energy and energy related products and services with those customers having qualifying meters as specified in subsection C, below. The equity adjustment program will be offered to customers in the following order, beginning with those customers having the highest load factor within each class: (i) PV class, (ii) P class, (iii) G2 class served at 100 kw or higher.

C. Qualifying Customer Meters and Equity Adjustment Amounts

1. To be eligible for a long term contract, a customer meter must meet one of the following requirements: (i) P class customer meters qualifying for the Voltage Discount ("PV class") having an average annual load factor equal to or in excess of 35%; (ii) P class customer meters having an average annual load factor equal to or in excess of 35%; or (iii) G2 customer meters served at a 100 kw or greater having an average annual load factor in excess of 45%. All qualifying customer meters shall maintain a minimum load and a minimum load factor during the term of the long term contract.
2. Every PV class and P class customer eligible for a long term contract, as provided above, that has signed a long term contract, as defined, may receive a seven percent (7%) equity adjustment for the qualifying meter or meters, from the ordinance rates in effect as of the date of this ordinance. For each additional year in the term of the contract, customer may receive an additional two percent (2%) equity adjustment for the qualifying meter or meters. Customer meters with an average annual load factor as determined by the Department, which maintain that minimum load factor may receive an additional equity adjustment as follows:

a. PV CLASS

- 1) at least a 40% minimum load factor, one percent (1%) additional equity adjustment.

- 2) at least a 45% minimum load factor, two percent (2%) additional equity adjustment.
- 3) at least a 50% minimum load factor, three percent (3%) additional equity adjustment.

b. P CLASS

- 1) at least a 40% minimum load factor, one percent (1%) additional equity adjustment.
 - 2) at least a 50% minimum load factor, two percent (2%) additional equity adjustment.
 - 3) at least a 60% minimum load factor, three percent (3%) additional equity adjustment.
3. Every G2 class customer eligible for a long term contract, as provided above, that has signed a long term contract, as defined, may receive a five percent (5%) equity adjustment for the qualifying meter or meters, from the ordinance rates in effect as of the date of this ordinance. For each additional year in the term of the contract, the customer meter may receive an additional two percent (2%) equity adjustment. Customer meters with an average annual load factor as determined by the Department, which maintain that minimum load factor shall receive an additional equity adjustment as follows:
- a. at least a 50% minimum load factor, two percent (2%) additional equity adjustment.
 - b. at least a 55% minimum load factor, three percent (3%) additional equity adjustment.
 - c. at least a 60% minimum load factor, four percent (4%) additional equity adjustment.
4. Every customer signing a contract pursuant to this ordinance shall also be eligible to receive an additional equity adjustment as follows:
- a. purchase of additional energy and any energy related products and services provided by the Department in an amount equal to or greater than ten percent (10%) of the customer's twelve (12) month energy bill during a period preceding the agreement shall qualify for an equity adjustment in the amount of one-half percent (1/2%) for each ten percent (10%) increment.

- b. load factor improvement over the base year at the following rate: two percent (2%) equity adjustment for each five percent (5%) load factor improvement.
- c. aggregation of meters. The Department may aggregate any meters, provided that each meter is served at a minimum 100 kw demand level. Customer bill savings may result from demand diversity from aggregation and may vary among customers. However, the savings shall be limited to a maximum of two percent (2%), as determined by the Department. This benefit shall be considered to be an equity adjustment of two percent (2%).

D. Maximum Equity Adjustment

- 1. The total equity adjustment available for any customer meter, pursuant to this Section, shall be limited to the amount of the customer meter's inequity. In no instance shall the total equity adjustment exceed the amount of inequity as determined by an individual analysis performed by the Department.
 - 2. The total equity adjustment available for any customer meter shall not exceed ten percent (10%) until such time that additional revenue may be identified and designated for disbursement on an equitable basis. Provided, however, that customers qualifying at the time of contract execution for an adjustment in excess of ten percent (10%), may receive the equity adjustment in excess of ten percent (10%), or part thereof, when additional funds designated for the equity adjustment become available, in accordance with this Section.
 - 3. The equity adjustment shall apply to those portions of the rate as described in this Section and shall be available for the applicable customer meter.
 - 4. The Department may identify, through a written policy signed by the General Manager, additional energy related products and services similar to those identified above which shall be offered to all eligible customers in exchange for an additional equity adjustment not to exceed two percent (2%) for each energy related product or service offered, in accordance with the provisions of this Section.
- E. The City Council shall approve all long term contracts, pursuant to this Section, in excess of \$75,000. The following contracts are deemed approved by the City Council without respect to amount: contracts for energy and energy related products and services which conform substantially to standard terms and conditions set forth in a resolution of the City Council which is adopted and which may be reconfirmed from time to time, and which also conform substantially to the rates for contract sales

of Department products, commodities and services as set forth in Resolution No. 7531-1 of the City Council.

- F. All long term contracts shall specify that at the time that the City enacts a comprehensive rate restructuring which affects the customer (the "restructured rate"), the equity adjustment, as defined, shall continue to apply, if the Department determines that the equity adjustment would result in a rate lower than the restructured rate as calculated for a given period. Where the Department determines that the restructured rate results in a lower rate for the customer, the restructured rate will take effect immediately and the prior equity adjustment shall no longer apply. At regular intervals, the Department will review the effect of the restructured rate on the bill for services of each customer which continues to receive an equity adjustment to determine whether the restructured rate will result in a lower service bill to the customer. As soon as the Department determines that the restructured rate will result in a lower service bill to the customer, the restructured rate shall apply immediately and the equity adjustment under this ordinance shall cease. All other terms of the long term contract shall remain in full legal force and effect.

Section 2. If any portion of this ordinance is held to be invalid or unconstitutional in a court of law, that portion shall be severed from this Section and the remaining provisions shall remain in full legal force and effect. The City Council hereby determines that it intends that all remaining provisions shall be given effect without any severed portions

Section 3. This Ordinance shall take effect upon publication.

Signed and approved this _____ day of _____ 1998.

Chris Holden
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 _____, 1998 by the following vote:

Ayes:

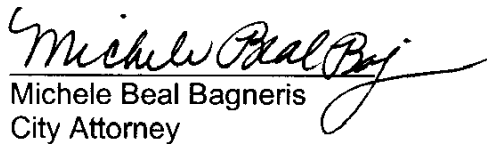
Noes:

Absent:

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City Clerk

Approved As to Form:


Michele Beal Bagneris
City Attorney