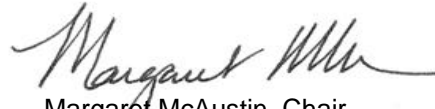




REGULAR MEETING OF THE  
MUNICIPAL SERVICES COMMITTEE  
Tuesday, September 27, 2011, 4:00 P.M.  
100 North Garfield Avenue, Pasadena, Council Chambers

AGENDA

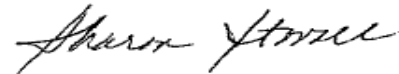
1. **CALL TO ORDER/ROLL CALL**
2. **PUBLIC COMMENTS ON MATTERS NOT ON THE AGENDA**
3. **INFORMATION ITEMS**
  - A. Pasadena Solar Initiative Program Update\*
  - B. Water Rate Ordinance Update\*
4. **ADJOURNMENT**

  
Margaret McAustin, Chair  
Municipal Service Committee

\*Attachment

**POSTING STATEMENT:**

I HEREBY CERTIFY that this Agenda, in its entirety, was posted on the Council Chamber Bulletin Board S249, the bulletin board in the rotunda area at City Hall, 100 North Garfield Avenue, the City Clerk's Office, and a copy was distributed to the Central Library for posting on the 22nd day of September, 2011 by 4:00 p.m.



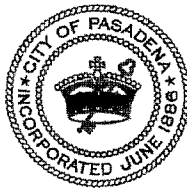
Sharon Stovall

**DISTRIBUTION:**

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City Council	City Clerk	Director of Planning and Permitting	Pasadena Star-News
City Manager	Director of Public Works	Los Angeles Times	Neighborhood Connections
City Attorney	Public Information Officer	La Opinion	Pasadena Journal

In compliance with the Disabilities Act of 1990, listening assistive devices are available from the City Clerk's Office with a 24-hour advance notice. Please call (626) 744-7062 or (626) 744-4785 to request use of a listening device. Language translation services are available for this meeting by calling (626) 744-4386 at least 24 hours in advance. Habra servicio de interpretación disponible para estas juntas llamando al (626) 744-4386 por lo menos con 24 horas de anticipación. Items on the agenda may not be called in the order listed.

**3.A**



PASADENA WATER AND POWER

## MEMORANDUM

September 27, 2011

To: Municipal Services Committee

From: Phyllis Currie  
General Manager *Phyllis Currie*

Subject: Pasadena Solar Initiative Program Update

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### Summary

The Pasadena Solar Initiative ("PSI") was created to meet the City's goal of installing 14 MW of solar photovoltaic systems ("PV") over ten years, consistent with the goals of Senate Bill 1, the California Solar Initiative ("CSI"). On September 24, 2007, the Pasadena City Council adopted the 14 MW PSI goal and authorized a revised Public Benefits Charge ("PBC") rate formula intended to provide sufficient funding for budgeted solar, energy efficiency, low income assistance, and research and development programs. State law authorizing the PBC for investor owned utilities expires on December 31, 2011. It is unclear at this time whether this will have any impact on Pasadena's PBC rate or if legislation will be enacted to extend the statewide PBC authorization.

As of September 20, 2011, PWP has incentive applications totaling approximately \$13.3 million for 3.8 MW of PV systems, of which 3.1 MW are currently installed. Additional information on current PSI program status, incentive structure, forthcoming procedural and administrative changes, and budgetary estimates are outlined in Attachment 1.

Pasadena Water and Power ("PWP") rolled out the PSI on December 31, 2007 with a new website and application system. PWP has promoted the program through local media, city publications, and periodic solar workshops for customers, PV system vendors, and installers.

Under Senate Bill 1, PWP's mandated funding level is approximately \$16.5 million; however, it has always been clear that this amount would be insufficient to meet Pasadena's 14 MW goal. When the PSI program was adopted, the funding requirements were estimated to be from \$30 to 36 million over ten years with annual budgets up to \$5 million to meet the goal. PWP now estimates the total PSI program funding required to meet the 14 MW goal will be approximately \$24.7 million. If Pasadena limits its funding to the mandated \$16.5 million level, PWP will only be able to fund a total of 5 MW of solar PV system under the PSI.

## Pasadena Solar Initiative 2011 Program Briefing

### Pasadena Solar Initiative (“PSI”) Overview

- Pasadena City Council authorized program and funding September 24, 2007
  - Established 14,000 kW goal by 2017
  - Adopted initial incentive rates at \$3.50/watt for residential and business customers and \$4.00/watt for governmental and non-profit customers.
  - PBC Funding Ordinance (second reading) December 3, 2007
- Staff developed and implemented program details based on state guidelines
- The PSI program officially commenced January 1, 2008
  - Complies with Senate Bill 1, the California Solar Initiative (“CSI”)
  - **PSI web site** [www.pwpweb.com/solar](http://www.pwpweb.com/solar) launched 12/31/2007

### PSI Program Status

- Table I summarizes the PSI program results as of September 20, 2011
  - As of September 20, 2011, PWP has installed 3.1 MW of solar systems
  - The total incentive costs paid, committed, or for applications under review are approximately \$13.3 million for 3.8 MW of solar system capacity
  - The majority of these expenditures are PBI payments that will be incurred over the next five fiscal years, at a rate of \$1.8-2.0 million per year
- While many utilities have suspended the solar programs or substantially reduced their incentive funding, PWP’s support for the PSI remains strong
- PWP retained the California Center for Sustainable Energy (“CCSE”) to review the PSI program and recommend budgetary, design, marketing, and procedural changes to improve program performance
- Current incentive levels for applications submitted by 9/30/2011:
  - Residential: Step 5 @ \$2.00/W
  - Non-Residential: Step 6 @ \$1.40/W (\$2.15/W for qualifying non-profits)
  - Qualified low-income customers: Step 1 @ \$4.00/W

**Table I**  
**PSI Program Summary Results\***

Customer Sector	No. of Applications			System Capacity (MW)			Estimated Incentives (\$M)		
	Installed	In Progress	Total	Installed	In Progress	Total	Installed	In Progress	Total
Residential	221	22	243	0.9	0.1	1.0	2.7	0.3	3.0
Non-Residential	28	12	40	2.3	0.5	2.7	9.0	0.9	10.0
Low-Income	0	3	3	0.0	0.1	0.1	0.0	0.4	0.4
<b>Total</b>	<b>249</b>	<b>37</b>	<b>286</b>	<b>3.1</b>	<b>0.7</b>	<b>3.8</b>	<b>11.7</b>	<b>1.6</b>	<b>13.3</b>

\* “Installed” systems include any operational system with paid or pending rebates; “In Progress” applications include all submitted applications that are active (i.e., not canceled, rejected, or withdrawn) but have not reached the Installed stage.

## Current PSI Program – Key Incentive Parameters

- Rebates paid on expected or actual metered energy output as follows:
  - **Expected Performance-Based Buydown (“EPBB”)** for PV projects up to 30 kW or qualifying low-income applications. Provides an up-front incentive based on an estimate of the system’s estimated performance. PWP uses the same tool as other utilities under the California Solar Initiative.
  - **Performance-Based Incentive (“PBI”)** optional for systems under 30kW or qualifying low-income applications. Provides a flat cents-per-kWh annual payment for all metered output over the initial 5 years of system operation. The PBI rates are calculated using an "ideal system", producing 1,656 kWh/year for each kW installed, as the "Reference System" to convert \$/W to \$/kWh and assuming 5 annual payments, in arrears, at 8% interest rate.
- The capacity allocations and incentive levels are similar to the CSI program design as shown in Table II:
  - The 14 MW goal is allocated between Residential (32%), Non-Residential (65%), and Low Income (3%) customer sectors
  - The goal for each sector is broken down into ten Program Steps (two for Low Income) with progressively lower incentive rates.
- To date, incentive levels have been reduced on a pre-announced “scheduled” basis as submitted reservations reach the Program Step capacity allocations.
- Non-profit customers obtaining tax benefits by procuring solar systems through power purchase agreements or leases are not eligible for the higher (non-profit customer) incentive rate
- Permit fees are reimbursed for residential customers as an added incentive

**Table II**  
**PSI Program Step Incentive Levels and Allocations**

Program Steps		Cumulative Application Capacity (MW)*				Incentive Level (\$/W)	
Step No.	Cumulative % of Goal	Residential	Non-Residential	Low Income	Total	Base Incentive	Non-Profit, Low Income
1	2.8%	0.13	0.25	0.20	0.75	\$3.50	\$4.00
2	6.7%	0.30	0.60	0.40	1.05	\$3.15	\$3.60
3	12.2%	0.55	1.11	--	1.80	\$2.75	\$3.15
4	19.4%	0.88	1.76	--	2.75	\$2.40	\$3.00
5	28.3%	1.28	2.57	--	4.00	\$2.00	\$2.60
6	38.9%	1.76	3.53	--	5.55	\$1.40	\$2.15
7	50.8%	2.30	4.61	--	7.05	\$0.85	\$1.60
8	64.7%	2.93	5.87	--	9.00	\$0.45	\$1.20
9	80.6%	3.65	7.30	--	11.25	\$0.30	\$0.95
<b>10</b>	<b>100.0%</b>	<b>4.53</b>	<b>9.07</b>	<b>0.40</b>	<b>14.00</b>	<b>\$0.25</b>	<b>\$0.75</b>

\* Grey-shaded levels have been fully subscribed. Note that some steps were oversubscribed and others were skipped due to following a scheduled date deadline for incentive level changes.

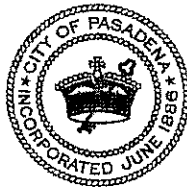
## Forthcoming PSI Program Changes

- PWP will no longer announce incentive level changes months in advance and honor all applications received or approved by a predefined date.
- In a manner consistent with the CSI, PWP will track applications and lower the incentive rate when each defined kWh threshold is met. PWP will post a “trigger tracker” on its web page, so that customers and vendors may monitor progress and know when incentive reductions are likely to soon occur.
- PWP has set aside a budget of \$1.6 million (10% of PWP’s SB-1 budget share) and 400kW of the 14,000 kW PSI goal for low income customers
- Note that the CPUC is currently considering whether to further reduce PBI incentive payments to reflect higher expected energy production and/or a reduced discount consistent with current economic realities. PWP would likely adopt similar changes, should the CPUC adopt them for the CSI program.
- PWP is reviewing the merits of continuing permit fee reimbursements for residential customers. Permit fee reimbursement may be discontinued.
- PWP may begin charging customers for the cost of meter replacement, consistent with the Public Utilities Code and Pasadena Municipal Code. This is not a standard practice in the industry

## PSI Budget Estimates and Impacts

- Per CSI program requirements of Senate Bill 1, PWP’s PSI program budget allocation is approximately \$16.5 million dollars
- In the agenda report adopting the PSI program, staff estimated the PSI budget would be “\$30-36 million over ten years with annual budgets up to \$5 million”
- Assuming the program changes outlined above are implemented, PWP now estimates the total PSI program budget will be approximately \$24.7 million
  - This total includes incentives of \$1.65 million (10% of PWP’s CSI budget) allocated specifically for low income systems consistent with the CSI program
  - This total also includes estimated program administration, education and advertising costs totaling \$2.5 million over ten years
- Annual PSI expenditures are forecast to peak at approximately \$2.5-3.0 million per year during fiscal years 2012 through 2016, then fall off dramatically
- The Public Benefits budget and Public Benefits Charge rate will need to increase by the start of FY2013 to prevent a substantial reduction in funding for energy efficiency and low income programs

**3.B**



PASADENA WATER AND POWER

MEMORANDUM

September 27, 2011

**To:** Municipal Services Committee

**From:** Phyllis E. Currie  
*Phyllis E. Currie*  
General Manager

**Subject:** Public Hearing for the Proposed Amendments to the Water Service Rate Ordinance

**EXECUTIVE SUMMARY:**

This report is for information only.

On October 17, 2011, the City Council will be asked to set a public hearing date of December 12, 2011 to consider proposed amendments to the Water Rate Ordinance in accordance with the requirements of Proposition 218. The Council will not be asked to take any action on the proposed amendments on October 17.

The Water and Power Department (PWP) recommends that various sections of Chapter 13.20 of the Pasadena Municipal Code, also known as the Water Rate Ordinance, be amended. The proposed amendments primarily relate to water lateral connections, fire hydrant installations and extensions, cross-connections, meter installations and/or examinations, and other such services. The cost to provide such services can vary significantly from job to job, thus actual cost recovery is superior to fixed charges based on the type of service to ensure compliance with the requirements of Proposition 218. The proposed amendments are necessary to recover actual costs to provide the services, including the changing costs of materials, labor and equipment. The proposed amendments will not impact the rates charged to customers for water consumption and will not have any impact on monthly or bi-monthly bills.

PWP recommends the following changes to the Water Rate Ordinance:



- Eliminate fixed charges and instead charge actual costs for various water-related services, including Sections 13.20.060 Service Application and Lateral Charges, 13.20.150 Fire Hydrants - Services, and 13.20.210 Meter Installation.
- A customer who receives a water service from PWP, which is not specifically identified or otherwise provided for in the Ordinance, shall pay the department's actual costs (as defined in the proposed amendments) of providing such service.
- Move all the non-rate technical requirements to a new Water Regulation. The proposed Water Regulation will be presented to the City Council concurrently with the Water Rate Ordinance.
- Update the Ordinance language to provide additional detail and clarity to the document.

A public hearing must be held on the proposed amendments to the Water Rate Ordinance to comply with the notification requirements of Proposition 218. The date for the public hearing must be set at least 45 days in advance; therefore, the City Council is being asked at this time to set the public hearing date for December 12, 2011.

### **BACKGROUND:**

PWP conducted a cost analysis to determine the actual costs to provide water service installations. The analysis included new domestic services, new fire services, fire hydrants, meters, and other services. The results of the analysis concluded that PWP is not fully collecting the actual costs incurred to perform these services. The fixed charges currently set forth in the Water Rate Ordinance are insufficient to recover the actual costs of labor, material, and equipment. The aggregate amount of under-collection costs averages approximately \$400,000 for each fiscal year from 2009 through 2011.

The proposed ordinance amendments will replace fixed dollar charges with authorization to charge and collect PWP's actual costs. "Actual costs" is defined in the ordinance to include labor, material and equipment actually incurred by PWP in performing the service. The costs will also include contractor charges where PWP must contract for the service. The total actual costs will be recovered through an invoice to the customer.

### ***PROPOSITION 218 REQUIREMENTS:***

Proposition 218, as implemented by Government Code section 53755, allows one written protest per parcel, filed by an owner or tenant of the parcel, to be counted in calculating the majority protest to a proposed new or increased water charge. If a majority of property owners and/or tenants file written protests, the amendments shall not be approved. Information related to the public hearing regarding adoption of the amendments proposed

by PWP will also be included in the notice. Following the establishment of December 12, 2011 as the public hearing date to consider written and/or oral comment on the proposed rate increases, a notice will be mailed to each property owner, tenant and ratepayer, as required by Proposition 218.

In addition to these noticed hearing and majority protest procedural requirements, Proposition 218 also imposes substantive requirements relating to fees and charges for water service. Among these are Proposition 218's requirements that revenues derived from these fees may not exceed the funds required to provide the service; revenues derived from the fees may not exceed the proportional cost of the service attributable to the parcel upon which the fee is imposed; the fee may not be imposed unless the service is actually used by, or immediately available to, the owner of the property; and the fee may not be imposed for general governmental services. The proposed amendments are designed to fully comply with Proposition 218's substantive requirements because they authorize PWP to charge and collect the Department's actual costs of labor, material and equipment to perform specified one time services at the customer's request.

Revised 9/21/11 11:45 a.m

(City Seal)

**City of Pasadena  
Notice of Public Hearing  
Proposed Amendments to the Water Rate Ordinance  
December 12, 2011 at 7:30 p.m.**

In compliance with Article XIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act, California Government Code section 53755, the City of Pasadena is hereby notifying all affected water customers, property owners, and developers/contractors of proposed amendments to the Water Rate Ordinance (Chapter 13.20 of the Pasadena Municipal Code). The proposed amendments primarily authorize PWP to charge actual costs to install water lateral connections, fire hydrant installations and extensions, cross connections, meter installations and/or examinations, and other such services. These are proposed amendments; the final amendments adopted by the Pasadena City Council may be different. The proposed amendments will not impact the rates charged to customers for water consumption and will not have any impact on monthly or bi-monthly bills.

**Public Hearing Information**

The Pasadena City Council will hold a public hearing on December 12, 2011 at 7:30 p.m. in the City Council Chambers at 100 N. Garfield Avenue, Pasadena, CA, 91101 to receive public comment regarding the proposed amendments to the Water Rate Ordinance to become effective upon publication of the ordinance:

- 1) Authorize the Department to charge its actual cost for lateral connections, fire hydrant installations and extensions, cross connections, meter installations and/or examinations, and other such services. "Actual cost" shall be defined in the proposed ordinance to include labor, material, and equipment costs. This change replaces the fixed charges and fees which are set forth in the present Water Rate Ordinance.
- 2) Amend various other sections of the Water Rate Ordinance to improve the clarity of their wording and/or consistency with other sections and legal requirements.

Any property owner, customer, or interested person may appear and be heard on any matter relating to the proposed water rate adjustments.

Written protests to the proposed amendments to the Water Rate Ordinance will be considered if submitted prior to the public hearing. Written protests must be submitted on or before 5:00 p.m. on December 12, 2011, to the Office of the City Clerk, 100 N. Garfield Ave. Room S228, Pasadena, California 91101. Please include the parcel address and write "**Water Rate Ordinance Amendments**" on the written comments.

Information regarding the proposed Water Rate Adjustments is available at the Office of the City Clerk, online at [www.PWPweb.com](http://www.PWPweb.com), or by calling 626-744-4005.

**If the parcel or billing address on this notice does not receive water service from the City of Pasadena this notice does not apply to you.**