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**AGENDA
MUNICIPAL SERVICES COMMITTEE
March 26, 2013**

MEMBERS

Margaret McAustin, Chair, District 2
Bill Bogaard, Mayor
Terry Tornek, District 7

STAFF

Phyllis Currie, General Manager
Sandra Robles, Recording Secretary

MISSION STATEMENT

The City of Pasadena is dedicated to delivering exemplary municipal services, responsive to our entire community and consistent with our history, culture and unique character.

Public meeting begins at 4:00 p.m.

*Agendas and supporting documents are available on the Internet at
<http://www.cityofpasadena.net/commissions>*

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REGULAR MEETING OF THE
MUNICIPAL SERVICES COMMITTEE
Tuesday, March 26, 2013, 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

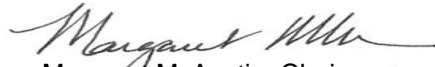
- A. Public Hearing Date for Proposed Changes to the Purchased Water Adjustment Charge*
- B. Outage Management/Communication System Update
- C. Intermountain Power Plant Contract Update*

4. ADJOURNMENT

* Attachment

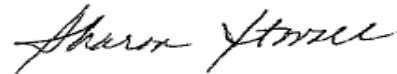
NEXT REGULAR MEETING

April 9, 2013


Margaret McAustin, Chair
Municipal Service Committee

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 21st day of March, 2013 by 4:00 p.m.



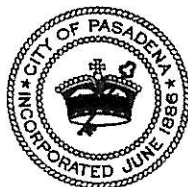
Sharon Stovall

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3.A




PASADENA WATER AND POWER

MEMORANDUM

March 26, 2013

To: Municipal Services Committee

From: Phyllis E. Currie, General Manager 

Subject: PROPOSED CHANGES TO THE PURCHASED WATER ADJUSTMENT CHARGE

This item is for information only.

EXECUTIVE SUMMARY:

In April 2012, the Metropolitan Water District of Southern California ("MWD") approved two rate increases of 5% each to be charged to its wholesale customers. The first rate increase was implemented in January 2013. The second rate increase will become effective January 1, 2014. These increases raise the cost of water purchased by Pasadena Water and Power ("PWP") from MWD. To cover the additional costs, PWP is proposing to adjust the Purchased Water Adjustment Charge ("PWAC") by 10¢ per billing unit effective October 2013 and by an additional 10¢ per billing unit effective October 2014.

Also, the public notice of these increases will include notice of the PWAC formula already approved in Section 13.20.110 of the City's Water Service Rate Ordinance. This formula provides for the automatic pass through of changes in wholesale water charges. Although the formula was approved in July 2002, it has not been through the notification and public hearing process required by Proposition 218. Legislation enacted by Assembly Bill 2567 ("AB 2567") approved in July 2012, provides that after one public notice and hearing for the process, automatic adjustments may be made for a period of up to five years without further separate hearings.

If the formula is approved, PWP will provide its customers at least 30-days' notice of any future PWAC adjustments during the five year period. This will allow customers sufficient opportunity to set or modify their budgets to accommodate the rate changes. Formula driven increases will apply only to the water commodity charge. Any proposed adjustments to rates for distribution, customer service or capital improvement charges will continue to require the notification and public hearing processes required by Proposition 218.

PWP will be seeking the City Council's approval in April 2013 to set a date to conduct a public hearing on this proposal. After the date is set, a Notice will be sent to all water customers and property owners within PWP's water service area.

BACKGROUND:

PWP produces about 40 percent of its water supply from local groundwater in the Raymond Basin and purchases about 60 percent from MWD. Over the past decade, PWP has been experiencing higher purchased water costs due to MWD's periodic water rate increases. Although PWP has taken proactive steps to address water supply challenges, the goal to substantially reduce the City's reliance on imported water will require ongoing conservation efforts and additional capital investments as approved in the 2011 Water Integrated Resource Plan ("WIRP"). Appendix 1 illustrates the increases in MWD's rates from year 2003 through year 2015 and shows the corresponding actual and projected purchased water costs for PWP.

To cover the increases in purchased water costs which are primarily driven by the cost of purchasing water from MWD, PWP has implemented several adjustments to its PWAC over the past years using the approved formula in Section 13.20.110 of the Water Rate Ordinance. The PWAC formula allows PWP to pass-through incremental purchased water costs to its customers. Most recently, PWP implemented changes to the PWAC in October 2010 and October 2011 in response to MWD rate increases which took effect in January 2011 and January 2012. See Appendix 2 for history of PWAC changes since 2002.

The MWD Board of Directors approved two rate increases in April 2012 of five percent each. The first five percent rate increase was implemented in January 2013 and the second five percent rate increase will become effective on January 1, 2014. To cover the incremental costs that will result from the 2013 and 2014 MWD rate increases, PWP is proposing to increase the PWAC by 10¢ per billing unit (2.7% increase) effective October 2013 and by an additional 10¢ per billing unit (2.6% increase) effective October 2014. A billing unit is equivalent to 748 gallons of water. This action requires that PWP conduct a Proposition 218 public hearing process.

Five-year Automatic PWAC Adjustments

PWP is also requesting approval to implement the PWAC formula as defined in Section 13.20.110 of the Water Rate Ordinance to pass-through incremental purchased water costs primarily from anticipated MWD water rate increases for total period not to exceed five years. This proposal will be included in the same public notice as the two specific recommended increases. If approved, it will not be necessary to conduct further Proposition 218 hearings for PWAC adjustments for five years from the date of approval. Future PWAC changes will be implemented only if future increases in purchased water costs actually occur over the five year period beyond the increases being proposed for October 2013 and 2014. Prior to implementing any increase during the five year period, PWP will provide the City Council and PWP customers with at least 30-days' notice before the effective date. This will allow customers sufficient opportunity to set or modify their budgets to accommodate the rate changes.

This proposal complies with the provisions AB 2567, which provides for automatic rate adjustments to pass through changes in wholesale water charges for a period of up to five years without a hearing process for each adjustment. The proposal applies only to the commodity/PWAC component of the water rate, and it does not cover the distribution and customer charge (“D&C”) and the capital improvement charge (“CIC”) components. Any future changes to D&C and CIC rates will still be subject to separate City Council approval and separate Proposition 218 public hearing process.

Public Hearing

Pending approval of a hearing date of June 17, 2013, PWP will notify by mail all property owners and ratepayers of the proposed rate adjustments as required by Proposition 218. The notice must be mailed no less than 45 days prior to the public hearing and will include information regarding the public hearing date and the process by which written protests to the proposed water rate changes may be submitted. A copy of the notice to be mailed to ratepayers and property owners is attached.

The process of considering the proposed water rate changes requires a series of steps to be taken in sequence on the following dates:

- April 8, 2013 City Council to set June 17, 2013 as public hearing date
- 3rd week of April 2013 Public notices mailed to ratepayers and property owners
- April to June 17, 2013 Written protests received (if any)
- June 17, 2013 Conduct Public Hearing and approve PWAC proposal
- October 2013 If proposal is approved, implement a 10¢ per billing unit increase in PWAC
- October 2014 If proposal is approved, implement a 10¢ per billing unit increase in PWAC

Receipt of written protest by a majority of property owners or tenants would prevent the implementation of the proposed PWAC increase and the notice of automatic pass through of water commodity cost adjustments. This would also require a revision of the recommended fiscal year 2014 Water Fund budget to accommodate the additional purchased water costs by reducing other planned expenses.

Proposition 218

Proposition 218 was initially approved by California voters in November 1996 with the intent to ensure that all taxes and most charges to property owners are subject to voter approval, and to further limit the use of assessments and property-related fees to pay for general governmental services rather than property-related services. At that time, it was not widely adopted by water utilities until July 2006 when the California Supreme Court ruled that water rates are property-related fees for Proposition 218 purposes. This ruling requires that water rate increases are subject to specific notification and public hearing

requirements. Since July 2006, PWP has been adhering with this ruling and has been providing at least 45-day notices to its rate payers and giving them the opportunity to provide comments and attend public hearings prior to making water rate changes including PWAC. In 2009, the California Supreme Court further ruled that Proposition 218 can be used for multi-year rate changes without the need to hold more public hearings for each change under certain conditions.

The proposed hearing will ensure that PWP's Water Service Rate Ordinance is in compliance with the requirements of Proposition 218 and AB 2567.

Impact of the Proposed PWAC Increase

The proposed PWAC adjustments effective October 2013 and 2014 will impact all PWP water customers. The price for each billing unit of water will increase by 10¢ in October 2013 and by additional 10¢ in October 2014. A billing unit is equal to 748 gallons of water.

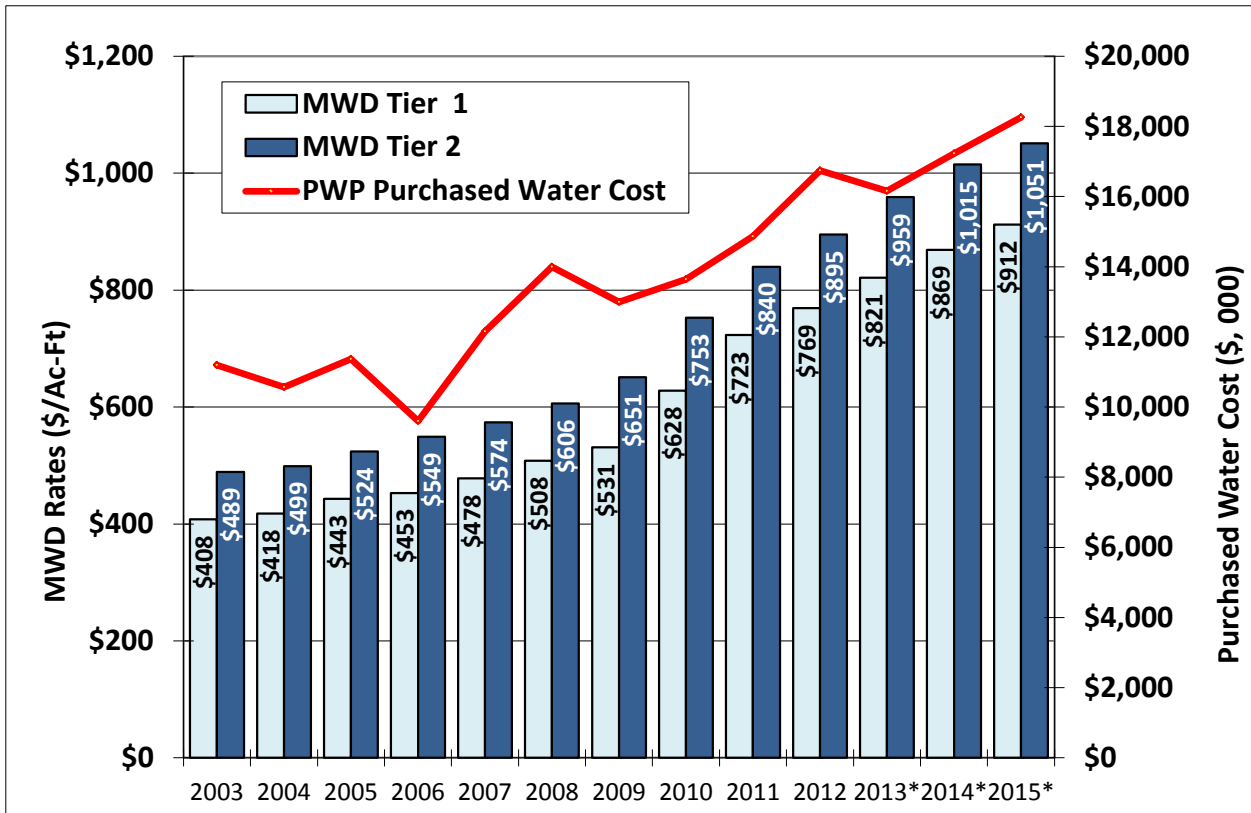
The monthly bill for a typical residential customer using 12 billing units will increase by approximately \$1.20 or 2.7% due to the proposed October 2013 PWAC change, as shown in Table A below. The monthly bill will further increase by approximately \$1.20 or 2.6% in October 2014 due to the proposed second PWAC adjustment.

**Table A
Sample impact for residential customer using 12 billing units per month
Effective October 2013**

Typical Residential Rate Adjustment for 5/8" - 3/4" Meter Using 12 Billing Units (BU) in Summer							
Current Rate Structure				Proposed Rate Structure with 10¢ PWAC increase in October 2013			
	Rate per BU	Usage per Block	Charge Amount		Rate per BU	Usage per Block	Charge Amount
Block 1	\$1.12537	8	\$ 9.00	Block 1	\$1.22537	8	\$ 9.80
Block 2	\$2.71851	4	\$10.87	Block 2	\$2.81851	4	\$11.27
Total Water Used		12	\$19.87	Total Water Used		12	\$21.07
Distribution and Customer Charge			\$17.51	Distribution and Customer Charge			\$17.51
Capital Improvement Charge			\$ 7.49	Capital Improvement Charge			\$ 7.49
Total Bill Before Tax			\$44.87	Total Bill Before Tax			\$46.07
Net Increase: \$1.20 or 2.7%							

Attachment/s

**Appendix 1
 PWP Purchased Water Cost and MWD Rates**



Note: Purchased water costs for 2013 through 2015 are projected numbers, while MWD rates are the approved rates

Appendix 2
History for PWAC Increases
For the Ten Year Period covering July 1, 2002 through June 30, 2012

July 2002	Implemented a Purchased Water Adjustment Charge (PWAC) of 6.589 cents per billing unit (BU) to capture higher costs of water purchased from the Metropolitan Water District of Southern California (MWD).
October 2003	Increased the PWAC by approximately 3 cents per BU (2% increase in system average rate) to recover higher purchased water costs.
December 2004	Increased PWAC by approximately 4 cents per BU (2% increase in system average rate) to recover higher purchased water costs.
July 2008	Increased the PWAC by approximately 24 cents per BU (10% increase in system average rate) to recover increased purchased water costs.
July 2009	Increased the PWAC by approximately 10 cents per BU (4% increase in system average rate) to recover increased purchased water costs.
August 2009	Rolled the PWAC into the Commodity Charge. PWAC was reset to zero.
October 2010	PWAC increased by 9.5 cents per BU (3% increase in system average rate).
October 2011	PWAC increased by 12 cents per BU (3% increase in system average rate).

City of Pasadena
Notice of Public Hearing Regarding Proposed Changes
to the Purchased Water Adjustment Charge

Hearing Date and Time: June 17, 2013 at 7:00 p.m.
Hearing Location: 100 N. Garfield Avenue, Pasadena, California 91101
Room S228

Dear Property Owner/Customer:

The Pasadena City Council will hold a public hearing on June 17, 2013 at 7:00 p.m. in the City Council Chambers at 100 N. Garfield Avenue, Pasadena, CA 91101 to receive public comments regarding adoption of the proposed water rate adjustments to:

- 1) *Increase the Purchased Water Adjustment Charge ("PWAC") by \$0.10 per billing unit effective October 2013 and by an additional \$0.10 per billing unit effective October 2014, and;*
- 2) *Approve the implementation of the PWAC formula as defined in the Water Rate Ordinance to pass-through incremental purchased water costs for a total period not to exceed five years (as provided by Government Code Section 53756).*

One billing unit of water is equivalent to one hundred cubic feet ("HCF"), or 748 gallons of water.

This notification is provided in compliance with Article XIID of the California State Constitution, the Proposition 218 Omnibus Implementation Act, and California Government Code Section 53756. These are proposed changes only; final rate adjustments adopted by the Pasadena City Council may differ.

Why are the Proposed October 2013 and October 2014 Changes to PWAC Necessary?

The Metropolitan Water District of Southern California (“MWD”), which provides approximately 60% of the City of Pasadena Water and Power Department’s (“PWP”) water supply, implemented a 5% water rate increase on January 1, 2013 and has approved an additional 5% increase to become effective January 1, 2014. The proposed changes to the PWAC are necessary to offset the incremental costs of water purchased by PWP from the MWD.

The proposed increases affect **only** the PWAC. No increases are being proposed at this time for the Distribution and Customer Charge or the Capital Improvement Charge.

What is the purpose of implementing the PWAC formula to pass-through incremental purchased water costs for a five-year period?

PWP has been experiencing periodic water rate increases from MWD over the past decade and anticipates such increases to continue over the next five years. Implementation of the PWAC formula, as defined in the Water Rate Ordinance, will allow PWP to pass-through future water rate increases from MWD without holding separate Proposition 218 hearings for a total period of five years from the date of approval. Future PWAC changes will be implemented only if future increases in purchased water costs actually occur over the period beyond the increases being proposed for October 2013 and 2014.

This proposal complies with the provisions of Assembly Bill 2567, which provides for automatic adjustments to pass through increases in wholesale water charges for a period not to exceed five years without a hearing process for each adjustment.

Who would be affected by the proposed PWAC changes?

All PWP water customers would be affected by the proposed PWAC adjustments. The price for each billing unit of water would increase by \$0.10 in October 2013 and by an additional \$0.10 in October 2014.

The new water rates with the proposed PWAC adjustments are shown below.

**Table A
Proposed PWAC Adjustments**

1 st Increase: Rates per Billing Unit* with Proposed PWAC Adjustment Effective October 2013				
Area of Service	Block 1	Block 2	Block 3	Block 4
Summer Rates: Water delivered April 1st – September 30th:				
A (Inside City)	\$1.22537	\$2.81851	\$3.31921	\$4.07026
B (Outside City)	\$1.45296	\$3.44438	\$4.07026	\$5.00907
Winter Rates: Water delivered October 1st – March 31st:				
A (Inside City)	\$1.19885	\$2.74559	\$3.23171	\$3.96089
B (Outside City)	\$1.41981	\$3.35323	\$3.96088	\$4.87235

2 nd Increase: Rates per Billing Unit* with Proposed PWAC Adjustment Effective October 2014				
Area of Service	Block 1	Block 2	Block 3	Block 4
Summer Rates: Water delivered April 1st – September 30th:				
A (Inside City)	\$1.32537	\$2.91851	\$3.41921	\$4.17026
B (Outside City)	\$1.55296	\$3.54438	\$4.17026	\$5.10907
Winter Rates: Water delivered October 1st – March 31st:				
A (Inside City)	\$1.29885	\$2.84559	\$3.33171	\$4.06089
B (Outside City)	\$1.51981	\$3.45323	\$4.06088	\$4.97235

* One billing unit is equivalent to one hundred cubic feet (HCF), or 748 gallons of water

How much would my monthly water bill increase?

The monthly bill for a typical residential customer using 12 billing units will increase by approximately \$1.20 or 2.7% as a result of the proposed October 2013 PWAC change as shown in Table B below. The monthly bill will further increase by approximately \$1.20 or 2.6% with the implementation of the October 2014 adjustment

Table B
Sample impact for residential customer using 12 billing units per month
Effective October 2013

Typical Residential Rate Adjustment for 5/8" - 3/4" Meter Using 12 Billing Units (BU) in Summer							
Current Rate Structure				Proposed Rate Structure with 10¢ PWAC increase in October 2013			
	Rate per BU	Usage per Block	Charge Amount		Rate per BU	Usage per Block	Charge Amount
Block 1	\$1.12537	8	\$ 9.00	Block 1	\$1.22537	8	\$ 9.80
Block 2	\$2.71851	4	\$10.87	Block 2	\$2.81851	4	\$11.27
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Distribution and Customer Charge			\$17.51	Distribution and Customer Charge			\$17.51
Capital Improvement Charge			\$ 7.49	Capital Improvement Charge			\$ 7.49
Total Bill Before Tax			\$44.87	Total Bill Before Tax			\$46.07
Net Increase: \$1.20 or 2.7%							

How can I participate?

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

Written protests to the proposed changes to PWAC will be considered if submitted prior to the public hearing. Written protests must be submitted on or before 5:00 p.m. on June 17, 2013, to the Office of the City Clerk, 100 N. Garfield Ave. Room S228, Pasadena, California 91101. Please include the parcel address and write **“Proposed Changes to the Purchased Water Adjustment Charge”** on the written comments.

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.

How can I get more information?

Information regarding the proposed changes to PWAC is available at the Office of the City Clerk or online at WWW. PWPweb.com.

3.C




PASADENA WATER AND POWER

MEMORANDUM

March 26, 2013

To: Municipal Services Committee

From: Phyllis E. Currie 
General Manager

Subject: Pasadena's Plan For Transition Away From Coal Power

This item is for information only.

The Los Angeles Department of Water and Power ("LADWP") Board of Commissioners recently approved two contract amendments to enable LADWP to transition out of coal power by: (i) selling LADWP's share in the Navajo Generating Station in Arizona to another project participant by the end of 2015, and, (ii) entering into a long-term contract for natural gas generation at the current coal fired Intermountain Power Project ("IPP") location in Utah. The switch from coal to gas at IPP would commence in 2025, which is two years earlier than the current coal contracts' expiration in 2027.

In March 2009, the Pasadena City Council approved the "2009 Energy Integrated Resource Plan" that had laid out a similar plan for Pasadena Water and Power's ("PWP") to transition out of coal power by 2027. The plan calls for PWP to reduce coal power delivery to the City of Pasadena by 35 MW (1/3 of IPP contract amount) by 2016, and to be coal free after the IPP contract expiration in 2027.

PWP is currently involved in contract discussions with LADWP and other IPP participants to enable a natural gas generation option at the IPP location. All of the current IPP project participants must agree to amend the existing IPP Power Purchase Agreement for the new natural gas project to materialize. The parties are hopeful that terms can be reached so each may seek approval from their governing boards to amend the IPP Power Sales Agreement and enter into long-term power purchase "renewal" contracts for new natural gas generation at IPP location by mid-2013.

However, PWP must resolve two key operational and entitlement issues prior to seeking authority to amend the IPP contracts. PWP's continued ability to claim Resource Adequacy capacity from its share of IPP (a necessary reliability obligation) is uncertain if the contracts are amended. In addition, PWP must secure continued use of the project's transmission lines to access IPP generation and renewable resources in the region. PWP is working with IPP, LADWP, and the California Independent System Operator to resolve these issues.