AGENDA
MUNICIPAL SERVICES COMMITTEE
May 9, 2017

MEMBERS
Margaret McAustin, Chair, District 2
Terry Tornek, Mayor
Tyron Hampton, District 1
Andy Wilson, District 7

STAFF
Gurcharan Bawa, General Manager
Valerie Flores, 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://ww5.cityofpasadena.net/commissions/city-council-municipal-services-committee/

Materials related to an item on this Agenda submitted to the Municipal Services Committee after
distribution of the agenda packet are available for public inspection in the City Clerk’s Office at 100 N.
Garfield Avenue, Room S-228,
Pasadena, during normal business hours.
REGULAR MEETING OF THE
MUNICIPAL SERVICES COMMITTEE
Tuesday, May 9, 2017 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


4. NEW BUSINESS
   A. Recommendation to Hold a Public Hearing and Approve the Proposed Increases to the Electric Distribution and Customer Charges for All Customer Groups*

5. INFORMATION ITEMS
   A. Rate Adjustment to the Transmission Service Charge*

6. ADJOURNMENT

*Attachment

NEXT MEETING
May 23, 2017

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 4th day of May, 2017 by 6:00 p.m.

Susana Castro

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OPENING
The Chair called the regular meeting of the Municipal Services Committee to order at 4:01 p.m.

ROLL CALL:
Councilmember Margaret McAustin, Chair
Mayor Terry Tornek
Councilmember Tyron Hampton (Arrived at 4:30 p.m.)
Councilmember Andy Wilson

Staff:
Julie Gutierrez, Assistant City Manager
Javan Rad, Chief Assistant City Attorney
Bawa Gurcharan, Interim General Manager of Water and Power
Shari Thomas, Assistant General Manager
Eric Klinkner, Assistant General Manager
Sean Singletary, Principal Engineer, Public Works
Art Silva, Power Production Superintendent, Water and Power
Valerie Flores, Recording Secretary

PUBLIC COMMENT
Therese Brummel and Tom Brady, Pasadena 100 ("a group of scientists and concerned citizens"), commented on the City’s Climate Action Plan, expressed interest in meeting with the City on the matter, and urged the City to move forward with the goal of 100% Renewable Energy in the near future.

MINUTES
It was moved by Mayor Tornek, seconded by Councilmember Wilson, to approve the minutes of May 10, 2016, May 24, 2016 (Cancelled), June 14, 2016, June 28, 2016 (cancelled), July 12, 2016, July 26, 2016, August 9, 2016, and August 23, 2016 (cancelled) as submitted. (Motion unanimously carried) (Absent: Councilmember Hampton).

INFORMATION ITEMS
MWD UPDATE FROM CYNTHIA KURTZ
Councilmember Hampton arrived at 4:30 p.m.

Cynthia Kurtz, City’s representative on the Metropolitan Water District (MWD) Board, provided a PowerPoint presentation, which included information on the financial health of MWD and its water supply, and responded to questions.

Following discussion, on the order of the Chair, and by consensus of the Committee, the information was received and filed.

CUSTOMER INFORMATION SYSTEM AND METERING UPDATE
Shari Thomas, Assistant General Manager, Water and Power Department, reviewed the agenda item as part of a PowerPoint presentation, and responded to questions.

Following discussion, the Mayor expressed strong concerns regarding the proposed project and the significant investment required to replace the current Customer Information System (CIS), and inquired whether there is an alternative to replacing the system.
Following additional discussion, the Chair stated the need to perform a comprehensive analysis/evaluation for such a major initiative, asked staff to assess the future of the utility industry and what a twenty-first century electrical system may entail, including potential impacts to the City.

Ken Kules, Pasadena resident, provided comments on the proposed upgrade to the City’s utility billing system, and recommended that the City work with other municipalities that are going through a similar process to potentially benefit from shared costs and ideas.

On the order of the Chair, and by consensus of the Committee, the information was received and filed.

IMPLEMENTATION OF A SIDEWALK IMPROVEMENT REIMBURSEMENT PROGRAM

Sean Singletary, Principal Engineer in Public Works Department, reviewed the agenda item as part of a PowerPoint presentation, and responded to questions.

Following discussion, on the order of the Chair, and by consensus of the Committee, the information was received and filed.

GT-5 REPOWERING PROJECT UPDATE

The Chair was excused at 5:57 p.m., and left the meeting.

Art Silva, Power Production Superintendent in Water and Power Department, provided a PowerPoint presentation summarizing the current activities and status of the Glenarm (“GT-5”) Repowering project, and responded to questions.

Following discussion, on the order of the acting Chair, and by consensus of the Committee, the information was received and filed.

COUNCIL COMMENTS

Councilmember Hampton requested staff to bring forward a report on long-term overnight parking permits.

ADJOURNMENT

On the order of the acting Chair, the regular meeting of the Municipal Services Committee was adjourned at 6:05 p.m.

ATTEST: ______________________

Margaret McAustin, Chair
Municipal Services Committee

_________________________

Valerie Flores
Recording Secretary
OPENING

The Chair called the regular meeting of the Municipal Services Committee to order at 4:05 p.m.

ROLL CALL:

Councilmember Margaret McAustin, Chair
Mayor Terry Tornek
Councilmember Tyron Hampton
Councilmember Andy Wilson

Staff:

Julie Gutierrez, Assistant City Manager
Lisa Hosey, Deputy City Attorney
Gurcharan Bawa, Interim General Manager of Water and Power
Eric Klinkner, Assistant General Manager, Water and Power
Ursula Schmidt, Water Conservation Program Manager
Wendy De Leon, Marketing Manager, Water and Power
Amanda Stevens, Project Manager, Water and Power
Art Silva, Power Production Superintendent, Water and Power
Valerie Flores, Recording Secretary

MINUTES

It was moved by Councilmember Wilson, and seconded by the Councilmember Hampton, to approve the minutes of September 13, 2016, September 27, 2016, October 11, 2016 and October 25, 2016 (Regular meetings), as submitted. (Motion unanimously carried) (Absent: None).

NEW BUSINESS

AMEND PASADENA MUNICIPAL CODE TITLE 13, CHAPTER 13.10, THE CITY OF PASADENA WATER WASTE PROHIBITIONS AND WATER SUPPLY SHORTAGE PLANS ORDINANCE

Ursula Schmidt, Water Conservation Program Manager, summarized the agenda report as part of a PowerPoint presentation and responded to questions.

Following discussion, the Mayor expressed concern regarding staff’s proposed amendment to the Pasadena Municipal Code (PMC) to allow the City Council to discontinue the Water Supply Shortage declaration without a public hearing. The Committee spoke in opposition to the proposed amendment and requested that it be revised to require a public hearing for such action.

Following additional discussion, it was moved by Mayor Tornek, seconded by Councilmember Wilson, to approve the staff’s recommendation; move the item forward to the full City Council for consideration, and to include the above noted revision. (Motion unanimously carried) (Absent: None)
AUTHORIZE A CONTRACT WITH DNV GL ENERGY SERVICES USA, INC., FOR THE PROVISION OF RESIDENTIAL ENERGY AND WATER DIRECT INSTALLATION PROGRAM SERVICES

Wendy De Leon, Water and Power Marketing Manager, summarized the agenda item as part of a PowerPoint presentation, and responded to questions.

Councilmember Wilson commented on the need to measure customer satisfaction, and requested that staff include, as part of the contract with DNV GL Energy Services USA, Inc., a method to secure a percentage of customer satisfaction.

Following discussion, the Committee requested that staff closely monitor the program to ensure it meets program goals, and to report its findings, progress and performance to the Committee, with Councilmember Wilson requesting statistical information when reporting updates.

The Chair stated that Neighborhood Associations are a great marketing source to reach out to residential customers.

Councilmember Hampton expressed concerns regarding the marketing component of the program, noting specific issues with the City’s “Under One Roof” program in terms of marketing, asked staff to do a better job at marketing and to provide information on outreach efforts/measures. He also requested staff to include information on the sub-contractors associated with the contract when the matter is considered by the full City Council.

Following discussion, it was moved by Mayor Tornek, seconded by Councilmember Hampton, to approve staff’s recommendation, and move the item forward to the full City Council for consideration. (Motion unanimously carried) (Absent: None)

INFORMATION ITEMS  PUBLIC BENEFITS PROGRAMS UPDATE

Eric Klinkner, Assistant General Manager of Water and Power Department, and Amanda Stevens, Project Manager, provided a PowerPoint presentation summarizing the agenda item, and responded to questions.

Following discussion, Councilmember Hampton inquired about the Plug-in Electric Vehicle (EV) Charging Stations, and asked staff to provide information regarding the future installation/location of EV charging stations.

Mayor Tornek recommended that there be a future discussion on whether or not it would be appropriate for the City to provide incentives for individuals to install energy storage given the growing popularity of electric vehicles.

On the order of the Chair, and by consensus of the Committee, the information was received and filed.
UPCOMING MAJOR UTILITY INITIATIVES

The above item was held for a future Committee meeting.

GT-5 REPOWERING PROJECT STATUS REPORT

Art Silva, Power Production Superintendent, Water and Power, provided a PowerPoint presentation summarizing the current activities and status of the Glenarm (“GT-5”) Repowering project, and responded to questions.

Following discussion, Gurcharan Bawa, Interim General Manager of Water and Power Department, expressed gratitude to the Committee for its support and leadership, acknowledged and thanked Art Silvia, the Power Plant staff, and everyone involved in the success of the project.

On the order of the Chair, and by consensus of the Committee, the information was received and filed.

COUNCIL COMMENTS

The Chair requested staff to bring forward information regarding the total amount expended on the Hill Avenue Undergrounding Project to date versus the budget, and to agendize for discussion how the City might facilitate the process for bulky item pick-up for multi-family residential customers.

Councilmember Hampton requested staff to provide information regarding overnight parking permits.

Councilmember Wilson asked staff to provide information on what measures are in place for removing tree debris from public rights-of-way after major storms.

ADJOURNMENT

On the order of the Chair, the regular meeting of the Municipal Services Committee was adjourned at 5:58 p.m.

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Margaret McAustin, Chair
Municipal Services Committee

ATTEST:

_________________________
Valerie Flores
Recording Secretary
OPENING
The Chair called the regular meeting of the Municipal Services Committee to order at 4:07 p.m.

ROLL CALL:
Councilmember Margaret McAustin, Chair
Mayor Terry Tornek
Councilmember Tyron Hampton (Arrived at 4:12 p.m.)
Councilmember Andy Wilson

Staff:
Lisa Hosey, Deputy City Attorney
Gurcharan Bawa, Water and Power Interim General Manager
Fred Dock, Director of Transportation Department
Sebastian Hernandez, Senior Planner, Transportation
Gary Takara, Principal Engineer, Water and Power
Roumiana Voutchkova, Engineer, Water and Power
Valerie Flores, Recording Secretary

PUBLIC COMMENT
Ken Kules, Pasadena resident, spoke regarding the Oroville Dam Spillway issue and on his work involving its relicensing process, and offered to brief the Committee on the matter.

In response to Mr. Kules, the Committee requested staff to keep the Committee informed about any local impacts as a result of the damage to the Oroville Dam Spillway.

MINUTES
It was moved by Councilmember Wilson, and seconded by Mayor Tornek, to approve the minutes of November 8, 2016 (regular meeting), and November 22, 2016 (cancelled meeting) as submitted. (Motion unanimously carried) (Absent: None).

INFORMATION ITEMS
NORTH HOLLYWOOD TO PASADENA BUS RAPID TRANSIT CORRIDOR TECHNICAL STUDY
Fred Dock, Director of Transportation Department, introduced the agenda item, Sebastian Hernandez, Senior Planner, and Michael Richmai, representing the Los Angeles County Metropolitan Transportation Authority (Metro), provided a PowerPoint presentation reviewing the agenda item, and responded to questions.

Following discussion, on the order of the Chair, and by consensus of the Committee, the information was received and filed.

PASADENA NON-POTABLE WATER PROJECT UPDATE
Gurcharan Bawa, Interim General Manager of Water and Power Department, introduced the agenda item, and Gary Takara, Principal Engineer, reviewed the agenda report as part of a PowerPoint presentation, and responded to questions.
The following individuals expressed concerns and/or provided suggestions regarding various aspects of the Non-Potable Water Project:

Ken Kules, Pasadena resident (submitted written material)
Nina Chomsky, Linda Vista – Annandale Association
Avis Kawahara, Pasadena resident
Marie Levine, Pasadena resident

Following discussion, Councilmember Hampton expressed his support for the project but noted concerns regarding the approved pipeline route and its potential impacts on residents, and encouraged staff to consider one of the alternative routes supported by the residents.

Councilmember Wilson requested staff to provide a table and/or summary of the number of residential properties impacted and days of construction for each of the alternative routes compared to the approved pipeline route.

The Chair asked staff to bring forward the data requested above by Councilmember Wilson, as well as the information gathered from public outreach meetings, when the matter is discussed by the full City Council.

Following discussion, on the order of the Chair, and by consensus of the Committee, the information was received and filed.

UPCOMING MAJOR UTILITY INITIATIVES

Due to time constraints, the above information agenda item was held for a future Committee meeting.

ENERGY EFFICIENCY GOALS

Due to time constraints, the above information agenda item was held for a future Committee meeting.

ADJOURNMENT

On the order of the Chair, the regular meeting of the Municipal Services Committee was adjourned at 6:09 p.m.

________________________________
Margaret McAustin, Chair
Municipal Services Committee

ATTEST:

________________________________
Valerie Flores
Recording Secretary
OPENING
The Chair called the regular meeting of the Municipal Services Committee to order at 4:02 p.m.

ROLL CALL:
Councilmember Margaret McAustin, Chair
Mayor Terry Tornek
Councilmember Tyron Hampton (Arrived at 4:09 p.m.)
Councilmember Andy Wilson

Staff: Julie Gutierrez, Assistant City Manager
Lisa Hosey, Deputy City Attorney
Gurcharan Bawa, Interim General Manager of Water and Power
Eric Klinkner, Assistant General Manager of Water and Power
Wendy De Leon, Marketing Manager
Fred Dock, Director of Transportation Department
Sebastian Hernandez, Senior Planner, Transportation Department
Ara Maloyan, Director of Public Works Department
Charles Peretz, Public Works Administrator
Thanos Gauthier, Public Works Superintendent
Valerie Flores, Recording Secretary

PUBLIC COMMENT
Ken Kules, Pasadena resident provided comments and submitted documentation regarding non-potable water rate options.

Councilmember Hampton arrived at 4:09 p.m.

David Czamanske, Pasadena Group of Sierra Club, requested information regarding the new Glenarm Power Plant, inquired how the City considered other available alternative resources, specifically neighboring jurisdictions that might have available power, and distributed material.

The Chair requested staff to agendize an information item in response to Mr. Czamanske’s above comment.

NEW BUSINESS
ADOPT ENERGY EFFICIENCY AND DEMAND REDUCTION GOALS FOR FISCAL YEARS 2018 THROUGH 2027

Wendy De Leon, Marketing Manager, provided a PowerPoint presentation summarizing the agenda item, and responded to questions.

David Czamanske, Pasadena Group of Sierra Club, provided his comments and questions related to the source of energy savings.

Following discussion, it was moved by Mayor Tornek, seconded by Councilmember Hampton, to approve staff’s recommendation, and forward the item to the full City Council for consideration. (Motion unanimously carried) (Absent: None)
In response to Councilmember Wilson, Ms. De Leon noted that a table with data on actual energy efficiency savings will be included when the matter is presented to the City Council.

**AUTHORIZE THE CITY MANAGER TO EXECUTE ALL AGREEMENTS ASSOCIATED WITH THE RECEIPT OF GRANT FUNDING FROM THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FOR THE PASADENA BUS PURCHASE TO RELIEVE SIGNIFICANT OVERCROWDING PROJECT**

Fred Dock, Director of Transportation Department, provided a PowerPoint presentation summarizing the agenda item, and responded to questions.

Following discussion, it was moved by Councilmember Wilson, seconded by Councilmember Hampton, to approve staff’s recommendation, and forward the item to the full City Council for consideration. (Motion unanimously carried) (Absent: None)

**AMENDMENT TO PASADENA MUNICIPAL CODE TITLE 8, CHAPTER 8.52, CITY TREES AND PROTECTION ORDINANCE**

Ara Maloyan, Director of Public Works Department, introduced the agenda item, and Charles Peretz, Public Works Administrator, provided a PowerPoint presentation summarizing the agenda item, and responded to questions.

Councilmember Wilson requested that staff include information on the assessed values of different tree species in their report to the City Council.

The following individuals spoke in support for, and/or, provided comments regarding the proposed action:

Ken Kules, Pasadena resident
Ann Scheid, Pasadena resident

Following discussion, it was moved by Councilmember Wilson, seconded by Councilmember Hampton, to approve staff’s recommendation, and forward the item to the full City Council for consideration (Motion unanimously carried) (Absent: None)

**INFORMATION ITEMS**

**UPCOMING MAJOR UTILITY INITIATIVES**

Gurcharan Bawa, Interim General Manager of Water and Power Department, provided a PowerPoint presentation reviewing the agenda item, and responded to questions.

The Mayor commended staff on their recommended list of major projects and policy initiatives to be considered by the Committee, noted the need to include a discussion on the future of the Broadway Power Plant, specifically as it relates to the vacant and unused structures, as well as on the City’s plan for the historic buildings on Fair Oaks Avenue.
Councilmember Hampton stated his support for a discussion on the state of the electric industry, and requested staff to provide information on where new Electrical Vehicle (EV) Charging Stations will be installed.

The Mayor requested staff to include the seismic sustainability issue as one of the major utility initiatives to be considered, noting specific concerns regarding the potential for a lack of water in the event of a major catastrophe.

Councilmember Wilson asked staff to include a discussion on the City’s water quality, as well as graphics and comparative data on the matter.

The Chair requested staff to add to the list of major utility initiatives, a discussion on the transition to bio-swales in terms of water retention and preservation.

Ken Kules, Pasadena resident, stated his support for review of the Power Distribution Master Plan and the Power Integrated Resource Plan (IRP).

Following discussion, on the order of the Chair, and by consensus of the Committee, the information was received and filed.

**BULKY ITEM PICK UP**

Ara Maloyan, Director of Public Works Department, introduced the agenda item, and Thanos Gauthier, Public Works Superintendent, provided a PowerPoint presentation summarizing the agenda item, and responded to questions.

The Chair stressed the need to discourage individuals from placing bulky items on the curb for donation purposes, and to educate multi-family property residents on the appropriate manner/process to discard bulky items, and encourage staff to fine individuals in violation of the City’s regulations on the matter.

Councilmember Hampton suggested, as part of the Anti-Littering and Bulky Item Campaign, to advertise and encourage middle/high school students to utilize the City’s Citizen Service Center mobile application to report abandoned bulky items.

Councilmember Wilson suggested placing signage with information on the bulky item pick-up process inside the lids of residential trash receptacles as a reminder to property owners.

Following discussion, on the order of the Chair, and by consensus of the Committee, the information was received and filed.

**URBAN FORESTRY PLANNING UPDATES**

Due to time constraints, the above agenda item was held for a future Committee meeting.

**ADJOURNMENT**

On the order of the Chair, the regular meeting of the Municipal Services Committee was adjourned at 6:09 p.m.
Margaret McAustin, Chair
Municipal Services Committee

ATTEST:

Valerie Flores
Recording Secretary
The regular meeting of the Municipal Services Committee, scheduled for Tuesday, December 27, 2016 at 4:00 p.m., was cancelled as ordered on December 22, 2016, and posted as required by law.

____________________________________
Margaret McAustin, Chair
Municipal Services Committee

ATTEST:

____________________________________
Valerie Flores
Recording Secretary

12/27/2016
The regular meeting of the Municipal Services Committee, scheduled for Tuesday, January 10, 2017 at 4:00 p.m., was cancelled as ordered on January 5, 2017, and posted as required by law.

______________________________
Margaret McAustin, Chair
Municipal Services Committee

ATTEST:

______________________________
Valerie Flores
Recording Secretary
4.A
TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (May 9, 2017)

FROM: Water and Power Department

SUBJECT: RECOMMENDATION TO HOLD A PUBLIC HEARING AND APPROVE THE PROPOSED INCREASES TO THE ELECTRIC DISTRIBUTION AND CUSTOMER CHARGES FOR ALL CUSTOMER GROUPS

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the Public Hearing for Proposed Changes to the Electric Rates is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15273 (Rates, Tolls, Fares, and Charges);

2. Open a Public Hearing to receive public comment on the Recommended Electric Rate Increases, to be effective on July 1, 2017 or as soon as practicable thereafter:
   a. Increase the Electric Distribution Charges to generate an additional $4.8 million annually, thereby increasing the overall Power Fund operating revenues by 2.3%;
   b. Increase the Electric Customer Charges to generate an additional $0.54 million annually, thereby increasing the overall Power Fund operating revenues by 0.3%;

3. Direct the City Clerk to report on written comments received from the public;

4. Close the Public Hearing;

5. Approve the aforementioned Recommended Electric Rate Increases; and

6. Direct the City Attorney to prepare an amendment to the Light and Power Rate Ordinance ("Ordinance") implementing the changes to the electric rates described herein.

BACKGROUND:

California electric utilities, including the Water and Power Department ("PWP"), are experiencing a number of challenges that are leading to increased costs and will result in higher rates. Legislation to further reduce carbon emissions, increase renewable
energy resources to 50%, or up to 100% under proposed Senate Bill 100 (De Leon), and doubling the energy efficiency goals will lead to higher costs of energy for PWP. The costs for high voltage transmission are increasing due to higher Transmission Access Charges charged by the California Independent System Operator (“CAISO”). In addition, market energy prices have plummeted due to an excess supply of renewable resources especially during peak hours of solar production. During 2016, the market experienced negative pricing, meaning the seller pays the buyer to take energy. Experts predict this trend to become more intense with legislative requiring utilities to procure more renewable energy.

Overall, many actions across the electric utility industry are leading to increased operating costs. As energy costs and rates increase, customers' choices for self-generation and access to renewables are becoming more cost effective. This in turn increases the cost to the remaining customer base and creates inequity of benefits and costs between customer groups. There is also a need to invest in existing and new technologies and infrastructure to meet future customer needs and maintain a high level of electric system reliability.

The Light and Power Rate Ordinance sets the rates and charges for electric system customers. Electric rates charged to customers are comprised of five separate components, namely 1) Distribution charge, 2) Customer charge, 3) Energy Service charge including Power Cost Adjustment charge (“PCA”), 4) Transmission Services charge (“TSC”), and 5) Public Benefit charge (“PBC”). The Energy, Transmission, and Public Benefit charges have variable components that the General Manager of the Water and Power Department (“PWP”) is authorized to adjust in response to increased costs associated with energy and transmission and to provide funding for public benefit programs based on the budget approved by City Council. Increases in the Distribution and Customer components of the electric rate structure require City Council approval.

PWP's Customer charge is a monthly fixed rate and the Distribution charge is a variable rate based on the amount of energy consumed. Residential customers pay a "tiered" Distribution charge with different rates based on levels of energy used. The same distribution rate is charged on each kilowatt-hour ("kWh") for small commercial customers. Medium and large commercial customers pay a Distribution charge based on kilowatt demand, which includes specific costs related to providing sufficient capacity to meet larger demand on the electric system. Distribution revenues have decreased based on reduced sales due to energy conservation and the impact of distributed energy projects including solar installations and natural gas fuel cells.

The recommended fiscal year 2018 (“FY18”) Power Fund Operating Budget accounts for an increase in costs to operate and maintain the electric distribution system, the portion of new debt service from the Electric Revenue Refunding Bond Issue of 2016 that is attributable to the distribution system, the requirement to provide necessary "page-go" funding for capital investment in Electric System Projects, support of the General Fund and increased personnel costs.
PWP has implemented several internal efficiency measures to minimize expenses, including elimination of 28 vacant positions in the Power Fund, reallocating overhead costs between Water and Power Funds, prioritizing training and travel costs, and postponing the purchase of vehicles, tools and equipment to the extent possible while maintaining safe and efficient operations. To offset the higher operating costs, PWP is proposing to increase the power Distribution and Customer charges for all customer groups to generate an additional $5.34 million annually ($4.8 million from the Distribution charge and $0.54 million from the Customer charge), thereby increasing the overall Power operating revenues by 2.6%. The Distribution and Customer charges were last increased in July 2016.

PWP regularly performs financial analysis on rate performance and revenue requirements to ensure the financial stability of the Electric System. A cost of service study was most recently completed during fiscal year 2013. During FY18, PWP will complete an update of the cost of service and rate model. This analysis may result in additional increases in rates and changes to the electric rate design. In the meantime, the recommended rate increase for FY18 will serve as an interim action to provide the necessary revenue to ensure sufficient net income to meet the Electric utility’s obligations to fund operating expenses, support of General Fund services and projected funding requirements for capital investment.

The system-wide average rate adjustment resulting from this proposed rate action is 3.0%. Table 1 provides examples of monthly residential bill impacts for the average user, moderately large user, and high user of electricity. Note that the Customer charge is the same for all residential customers and the Distribution charge is higher as more energy is consumed. This results in larger monthly bill increases illustrated in Table 1.

<table>
<thead>
<tr>
<th>kWh Usage per month</th>
<th>Monthly Distribution Charge</th>
<th>Monthly Customer Charge</th>
<th>Average Monthly Bill</th>
<th>Average Monthly Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
<td>Proposed</td>
<td>Current</td>
<td>Proposed</td>
</tr>
<tr>
<td>400</td>
<td>$12.85</td>
<td>$13.95</td>
<td>$8.29</td>
<td>$8.96</td>
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<td>500</td>
<td>$26.37</td>
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<tr>
<td>1,000</td>
<td>$84.82</td>
<td>$92.07</td>
<td>$8.29</td>
<td>$8.96</td>
</tr>
<tr>
<td>2,000</td>
<td>$183.45</td>
<td>$199.13</td>
<td>$8.29</td>
<td>$8.96</td>
</tr>
</tbody>
</table>

A separate increase to the Electric Transmission Services Charge is planned to go into effect on June 1, 2017 as provided for in Section 13.04.170 of the Light and Power Rate Ordinance. The combined increase to the electric system average rate is 4.69%. The total increase for an average residential customer using 400 kWh per month is $2.98.
COUNCIL POLICY CONSIDERATION:

The proposed recommendations are consistent with the City Council's goals to maintaining fiscal responsibility and stability, improve, maintain, and enhance public facilities and infrastructure, and increase conservation and sustainability.

ENVIRONMENTAL ANALYSIS:

The proposed amendments to the Light and Power Rate Ordinance have been determined to be exempt from CEQA per Section 15273 (Rates, Tolls, Fares, and Charges). Under Section 15273, CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies which the public agency finds are for the purpose of:

1. Meeting operating expenses, including employee wage rates and fringe benefits,
2. Purchasing or leasing supplies, equipment, or materials,
3. Meeting financial reserve needs and requirements,
4. Obtaining funds for capital projects, necessary to maintain service within existing services areas, or
5. Obtaining funds necessary to maintain such intra-city transfers as are authorized by city charter.
FISCAL IMPACT:

It is anticipated that this action will result in approximately $5.34 million in additional annual power customer and distribution revenues and will be used to offset the electric system’s operating costs. The proposed rate increase will result in an additional $534,000 to be transferred to the City’s General Fund.

The results of the upcoming electric cost-of-service update are uncertain at this time, and the recommended increase for FY18 will be an interim action to provide the necessary revenue to ensure sufficient net income and funding for operating expenses and projected capital investment for the Power Fund in FY2018. If approved, the new distribution rates will become effective for electricity bills issued after July 1, 2017.

Respectfully submitted,

[Signature]

GURCHARAN S. BAWA
General Manager
Water and Power Department

Prepared by:

[Signature]

Shari M. Thomas
Assistant General Manager
Water and Power Department

Approved by:

[Signature]

STEVE MERMELL
City Manager
5.A
MEMORANDUM

May 9, 2017

To: Municipal Services Committee

From: Gurcharan S. Bawa
General Manager

Subject: Rate Adjustment to the Transmission Service Charge

This item is for information only.

The Pasadena Water and Power Department (“PWP”) is planning to implement a rate increase to the Transmission Service Charge (“TSC”), effective June 1, 2017, as provided for in section 13.04.170 of the Light and Power Rate Ordinance (“Rate Ordinance”). This rate increase is in accordance with the TSC formula set forth in the Rate Ordinance to allow the utility to adjust the rate to offset changes in transmission costs.

Table 1 illustrates the TSC rate change to be implemented on June 1, 2017 and the expected additional TSC revenue to be generated over a full year.

Table 1: Changes to Customer’s Transmission Service Charge

<table>
<thead>
<tr>
<th>TSC (Service Size)</th>
<th>Existing Rate ($/kWh)</th>
<th>New Rate ($/kWh)</th>
<th>Rate Change ($/kWh)</th>
<th>Percent Change</th>
<th>Forecasted Full Year Impact on System Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary Service (below 17kV)</td>
<td>$0.01029</td>
<td>$0.01333</td>
<td>$0.00304</td>
<td>29.5%</td>
<td>Approximately $3.0 million (System average rate increase of 1.69%)</td>
</tr>
<tr>
<td>Primary Service (17kV and higher)</td>
<td>$0.01006</td>
<td>$0.01314</td>
<td>$0.00308</td>
<td>30.6%</td>
<td></td>
</tr>
</tbody>
</table>

The purpose of this report is to update the Municipal Services Committee on the performance of the current TSC rate and to provide information on the planned rate adjustment.
BACKGROUND:

The Rate Ordinance defines the rates and charges for PWP’s electric customers. The current electric rate structure is comprised of the Distribution Charge, Customer Charge, Public Benefits Charge, Energy Services Charge, and Transmission Services Charge. The Rate Ordinance provides for the General Manager of PWP to implement changes to the Transmission Service Charge rate based on a formula for each kWh delivered to the customer. The TSC rate is calculated quarterly and is adjusted periodically to reflect changes in actual and forecasted net transmission costs.

In May 2016, PWP increased the TSC by a system average rate of $0.00208 per kWh to offset the realized increase in transmission costs. This TSC rate action was estimated to generate $2.3 million annually. PWP also filed and settled its Transmission Revenue Requirement (“TRR”) with the Federal Energy Regulatory Commission (“FERC”) in December 2016 in order to recover its net costs from being a Participating Transmission Owner. This recent TRR filing is projected to generate an additional $0.7 million in FY2017.

PWP has implemented efficiencies in many programs to minimize the necessary increase, including elimination of 28 vacant positions in the Power Fund, reallocating overhead costs between Water and Power Funds, prioritizing training and travel costs, and postponing the purchase of vehicles, tools and equipment to the extent possible while maintaining safe and efficient operations.

TSC Rate Adjustment

The TSC rate is derived by a formula that provides revenues to cover the forecasted costs of high-voltage transmission of energy, including all transmission contracts, wheeling fees, pertinent labor and operating costs, operating margin, debt service, and CAISO access fees, less the sum of all wholesale revenues received in connection with the sale of any transmission entitlements.

The TSC charge is a volumetric charge; meaning that it is a rate charged on each kilowatt-hour (“kWh”) of electricity used by customers. Retail energy sales in FY2017 have been lower than forecasted and as a result the TSC charge is collecting less revenue than anticipated. Additionally, the Transmission Access Charge (“TAC”) rate from CAISO and other transmission-related costs have been higher than forecasted since the most recent TSC increase in May 2016. As shown in Chart 1, the TAC rate has increased steadily over the past three years following a period of relative stability.
The current system average TSC rate is $0.01157 per kWh and has increased by $0.00129 (or about 12.5%) since the May 2016 adjustment to TSC. In order to support the current and forecasted costs for the next twelve months, the TSC rate needs to be increased by a system average of $0.00304 per kWh, effective June 1, 2017. PWP has determined that the current TSC rate is not sufficient to recover existing and projected costs for transmission-related services. This TSC rate increase is forecasted to generate an additional $3 million annually.

**Customer Bill Impact**

The TSC is applied to each kWh sold. Table 2 shows the monthly bill impact to a residential customer using 400 kWh per month, 500 kWh per month, 1,000 kWh per month, and a large commercial customer with a 17kV or larger service using 100,000 kWh per

<table>
<thead>
<tr>
<th>Customer</th>
<th>Usage (kWh)</th>
<th>Current Monthly Bill</th>
<th>Proposed Monthly Bill</th>
<th>Difference $</th>
<th>Difference %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>400</td>
<td>$65.21</td>
<td>$66.42</td>
<td>$1.21</td>
<td>1.9%</td>
</tr>
<tr>
<td>Residential</td>
<td>500</td>
<td>$89.74</td>
<td>$91.26</td>
<td>$1.52</td>
<td>1.7%</td>
</tr>
<tr>
<td>Residential</td>
<td>1,000</td>
<td>$203.28</td>
<td>$206.32</td>
<td>$3.04</td>
<td>1.5%</td>
</tr>
<tr>
<td>Large Commercial – Primary Service</td>
<td>100,000</td>
<td>$14,965.89</td>
<td>$15,273.89</td>
<td>$308.00</td>
<td>2.0%</td>
</tr>
</tbody>
</table>
Separate increases to the Electric Distribution and Customer charges will also be recommended as part of the FY18 operating budget. The combined increase to the electric system average rate is 4.69%. The total increase for a residential customer using 400 kWh per month is $2.98.

**CONCLUSION:**

PWP will continue to monitor the performance of the TSC rates and its transmission-related costs, and implement as-needed changes in compliance with the Rate Ordinance. The projected increase in the electric system rate revenue will also increase revenues transferred to the General Fund by approximately $300,000 beginning in Fiscal Year 2019. The impact of this rate adjustment has been discussed with the Department of Finance and is reflected in the five-year plans for both the Power Fund and the General Fund.