

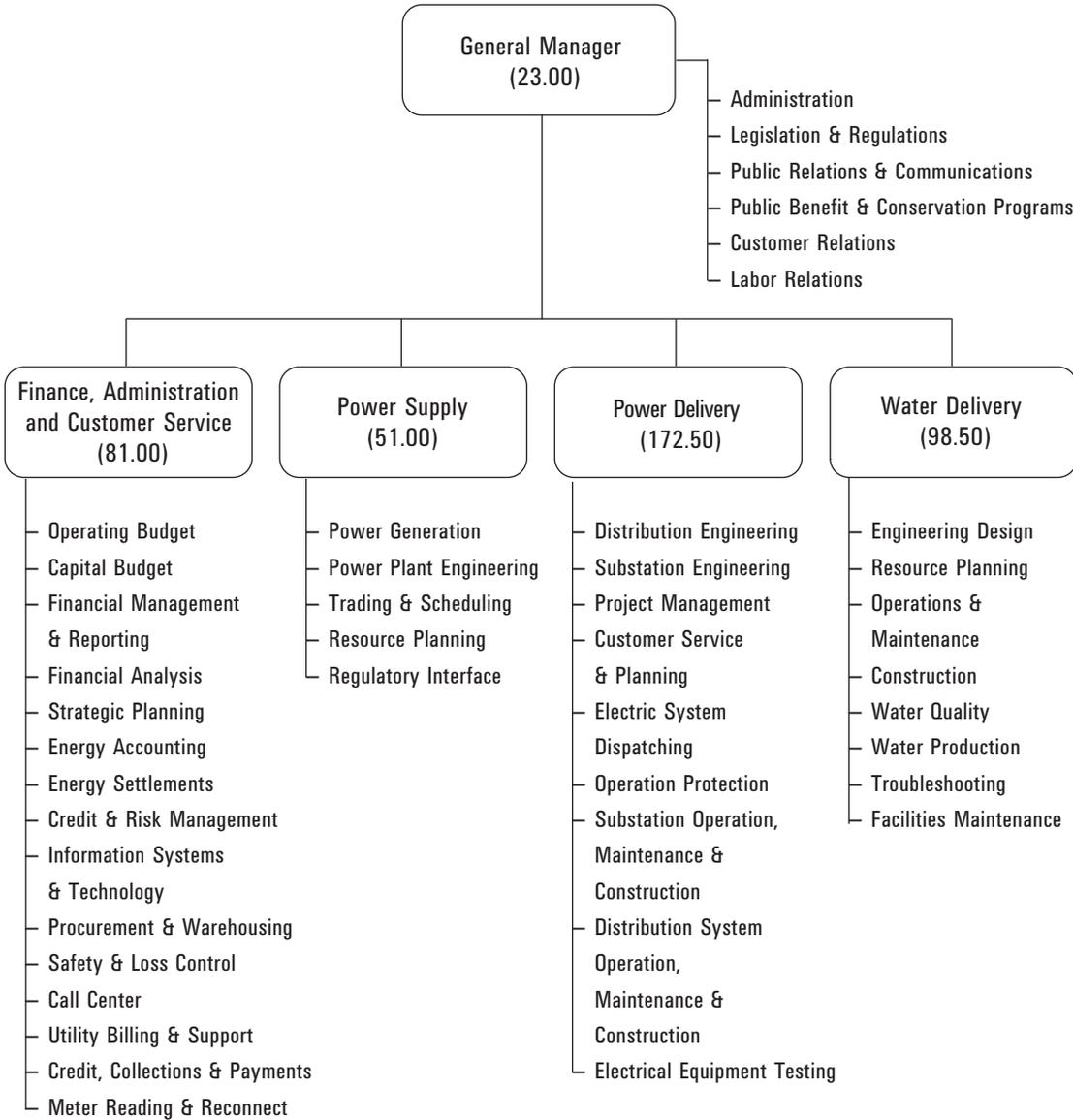


WATER AND POWER



*Interior
Linda Vista Branch Library*

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MISSION STATEMENT

Pasadena Water and Power (“PWP”) is committed to providing safe and reliable water and power with superior customer service at reasonable rates.

PROGRAM DESCRIPTION

PWP is a community-owned utility that supplies electricity and water to residents and businesses in Pasadena and to other outlying areas. PWP’s priorities are to:

- Provide citizens with the highest quality of water and electric services at competitive rates;
- Promote energy efficiency and water conservation through extensive public outreach, education, and rebate programs;
- Support the City’s environmental goals to secure sustainable resources and minimize the environmental impacts of water and power procurement; and
- Contribute to the City’s General Fund to support other vital public services such as police and fire protection, health services, parks, and libraries.

DEPARTMENTAL RELATIONSHIP TO CITY COUNCIL GOALS

Ensure Public Safety:

Safe and reliable water and power supply is essential to supporting public safety. PWP continues its commitment to the delivery of high quality water by monitoring, sampling, and testing in accordance with all applicable laws and regulations. Through the ongoing implementation of the Water Distribution System Master Plan, the water system infrastructure is continually maintained and improved to ensure water quality and adequate fire flow. PWP has also increased emphasis on its safety, power reliability, and emergency response capabilities. Similarly, continuing implementation of the Electric Distribution System Master Plan provides ongoing investment in upgrades and improvements that ensure the safety and reliability of the underground and overhead electrical infrastructure. PWP also complies with the reliability

standards of the North American Electric Reliability Corporation (“NERC”), and has maintained the Reliable Public Power Provider (“RP3®”) designation from the American Public Power Association (“APPA”) for providing the highest degree of reliable, safe, electric services. PWP’s designation was elevated from gold to platinum status in March 2013.

An electric distribution system inspection program that is consistent with the California Public Utilities Commission’s General Order 165 has been implemented. This program further ensures safety for employees and the public, and enhances the reliability and useful life of the power distribution system.

Improve, Maintain, and Enhance Public Facilities and Infrastructure:

PWP builds, maintains, and operates necessary infrastructure to produce, secure, and reliably deliver water and power to the residents and businesses in Pasadena and neighboring communities in its service territory. The City Council has adopted Master Plans that guide water and power distribution system investments, and Integrated Resource Plans that guide resource development and procurement. PWP continues to make efficient use of Pasadena’s natural resources while enhancing and improving the environment.

Maintain Fiscal Responsibility and Stability:

PWP is committed to improving efficiencies and facilitating appropriate management decisions related to costs. Decision support systems are continually being evaluated and improved to ensure that necessary information is always available, while long-term historical trends and future-oriented financial plans are employed to support any necessary strategic changes. In late 2013, PWP completed an electric cost-of-service and rate study (“ECOS”) and is now finalizing a rate structure designed to provide adequate revenue and competitive rates for customers.

Increase Conservation and Sustainability:

PWP’s activities directly impact six of the 21 Urban Environmental Accords action items including energy efficiency, renewable

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resources, greenhouse gas emissions, water conservation, tree canopy, and clean vehicles.

Support and Promote the Quality of Life and the Local Economy:

Reliable and competitively priced water and electric services provide a core foundation that supports Pasadena's quality of life and local economy. PWP's focus on customer service and strategic marketing of programs and services further supports these goals.

FISCAL YEAR 2014 ACCOMPLISHMENTS

Pasadena Water and Power accomplished the following during Fiscal Year 2014:

POWER DIVISION

Resources:

- Achieved a Renewable Energy Portfolio Standard ("RPS") of 25.8 percent in calendar year 2013;
- Revised the PWP RPS Enforcement Program and Procurement Plan as required by California law and the California Energy Commission;
- Executed two long-term photovoltaic solar generation contracts to augment PWP's RPS:
 - 6 MW (17.143%) of the Recurrent Solar Project, which includes Columbia Two (15 MW total) and Clearwater (20 MW total) generating units. Deliveries are expected to commence at the end of calendar 2014. These projects are under a 20-year Power Sales Agreement between PWP and the Southern California Public Power Authority ("SCPPA"), and
 - 20 MW (100%) of Kingbird Solar, a project under a 20-year plus 5-year option power purchase agreement. Deliveries are expected to commence by the end of calendar 2015;
- Prepared and submitted the Greenhouse Gas ("GHG") report to the California Air Resources Board ("CARB") for CY 2014;

- Completed repairs on Gas Turbine 1 ("GT-1") which was damaged in a 2010 fire. The unit became fully operational in September 2013;
- Completed service bulletin work and 10,000 hour maintenance on Gas Turbine 4 ("GT-4");
- A seismic retrofit was completed on the Azusa Hydro Plant; and
- Two contracts, for project/construction management and power island equipment, were executed as part of the GT-5 Repowering Project.

Infrastructure:

- Provided new or upgraded services for 510 residential and 222 commercial customers;
- Installed, tested, and implemented the Outage Management ("OMS") and Interactive Voice Response ("IVR") systems;
- Completed the conversion of five circuit segments from 4kV to 17kV;
- Completed a cable rejuvenation project on 34 kV Line 14;
- Installed three new 17kV feeders from the new Hastings substation;
- Upgraded the Sierra Bonita 17/4 substation;
- Began a project to add arc flash protection to all 17kV switchgear. Projects were completed at Villa, Del Mar, and Oak Knoll substations;
- Replaced cable from Eastern Substation to Foothill Boulevard and Sierra Madre Villa Avenue;
- Replaced 1,000 feet of cable on the 34kV St. John South tie line with Los Angeles Department of Water and Power;
- Continued to add automation to the distribution system with the installation of underground and overhead fault indicators, and underground switches featuring new relays and over-current protection;

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- Completed final customer electrical work in the Los Robles Underground District;
 - Completed civil construction in the public right-of-way in the Hill Avenue Underground District;
 - Completed civil construction in the Arroyo Underground District;
 - Completed civil and electrical work on the La Loma and San Rafael bridges;
 - Completed civil design and specifications for the Alpine Underground District;
 - Installed two new 34kV lines between T.M. Goodrich and Hastings substations;
 - Upgraded the Supervisory Control and Data Acquisition (“SCADA”) system and added a SCADA-OMS interface;
 - Completed security upgrades at the PWP Dispatch Center;
 - Completed an upgrade of the test lab at the City Yards and installed new test equipment;
 - Received the Treeline USA Award for power line clearance practices for the 12th consecutive year; and
 - Maintained the prestigious Reliable Public Power Provider (“RP3®”) designation from the American Public Power Association (“APPA”) for providing the highest degree of reliable, safe, electric service. Designation was elevated from gold to platinum status in March 2013.
- Executed one-year water lease agreements with three neighboring water agencies for the sale of excess Pasadena groundwater;
 - Prepared PWP’s Geographic Information System (“GIS”) for final data input;
 - Prepared and submitted the annual California Department of Public Health state certification list; and
 - Continued the implementation of recommendations made in the Urban Water Management Plan.

Infrastructure:

- Continued the implementation of the Water Distribution System Master Plan and recommendations included in the Water Integrated Resource Plan;
- Completed construction of upgrades to Allen hydro-pneumatic zone, Wilson and Chapman booster stations, and the Rubio Canyon interconnection. These projects enhance the reliability of water storage and distribution to customers;
- Completed the installation of 4.2 miles of well collector pipeline from Jones Reservoir to Chapman, Twombly, Wadsworth, Monte Vista, and Woodbury wells. This project facilitates the collection and distribution of well water to Jones Reservoir for customer use on the east side of Pasadena and will also improve the ability to treat and blend imported water from Metropolitan Water District while continuing to maintain compliance regulations;
- Completed the installation of new disinfection facilities at Jones and Sunset reservoirs;
- Replaced approximately 3.5 miles of aging water mains as part of the ongoing Water Main Replacement Program;
- Replaced approximately 500 small and 100 large water meters with new Automatic Meter Reads to enhance the collection of meter data for billing;
- Replaced 5 water meter boxes and vaults as well as

WATER DIVISION

Resources:

- Completed the design and comprehensive environmental documentation to further prepare for the full environmental impact study of the Recycled Water Project. This project will bring recycled water from Glendale to Pasadena for various non-potable irrigation needs;

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repaired/replaced steel plates as part of the continued Water Meter Vault Replacement Program;

- Continued work on the design for the Arroyo Seco Canyon project which includes new water spreading grounds, recreational parking, road restoration, intake structures, and construction of a new restroom facility; and
- Completed the upgrades to the existing SCADA system which improves the reliability of the water facility monitoring system under normal and major failure conditions.

CONSERVATION, DISTRIBUTED RESOURCES, AND CUSTOMER PROGRAMS

Power:

- The Public Benefit Fund continues to provide generous rate assistance to income-qualified customers, as well as cost-effective incentives for energy efficiency and customer-owned solar photovoltaic systems. These programs continue to be aggressively marketed through social media, PWP's website, local newspaper advertisements, direct mail newsletters, and bill inserts;
- The Public Benefit programs continue to meet cumulative energy-savings goals. PWP continued a pilot educational program which provides bimonthly home energy reports to 25,000 residential customers. This program encourages energy conservation by providing residents with a report that compares personal consumption with that of homes of similar size. Projected Fiscal Year 2014 results include:
 - 12.9 GWh of first-year energy savings which reduced peak demand by 2.5 MW;
 - 0.5 MW of additional solar installations brought the total capacity to 5.0 MW; and
- Created the Pasadena Express Efficiency Program ("PEER"), which offers commercial customers a

simplified rebate application process with faster processing time.

Water:

- Calendar year 2013 per-capita water consumption was approximately 17 percent less than the United Nations Urban Environmental Accords baseline, and PWP remains on track to meet the associated state-mandated conservation goal of 20 percent reduction by 2020. Contributing to this reduction is a combination of new online educational resources and classes, customer outreach, rebates, the ongoing turf replacement program, rainwater harvesting workshops, and the four-tiered water rate structure;
- Continued to aggressively promote water conservation and provide generous incentives for installation of water efficiency devices. Rebates were increased for commercial customers to encourage increased participation. PWP's turf removal program is estimated to save over 16 million gallons or 49 acre feet of water per year by converting high- water- consumption turf grass to water-efficient landscaping at 236 residential, multi-family, and commercial sites in PWP's water service territory. Participation has tripled since the program launched in FY11;
- Continued to provide landscape surveys to customers at no charge. These surveys include customized watering schedules and rain sensors for irrigation controllers;
- Launched new rebates for water-saving technologies including rain barrels, soil moisture sensors, plumbing flow control valves, and in-stem irrigation flow sensors; and
- Launched new commercial rebate programs including the Public Agency Landscape Program and the Fitness Center Enhanced Rebate Program.

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MANAGEMENT AND ADMINISTRATION

Legislative and Regulatory:

- Tracked and monitored nearly 100 state legislative bills and policy issues related to the California Renewables Portfolio Standard Program, clean vehicle funding, the California Environmental Quality Act, and several water bond bill proposals designed to replace the water bond on the November 2014 ballot;
- Closely monitored legislation affecting the Safe Drinking Water State Revolving Fund and actively participated in the Governor's Drinking Water Reorganization Task Force;
- Tracked and monitored 10 federal legislative bills and policy issues related to cyber security, hydropower development, and municipal finance, as well as various environmental and energy regulations advanced at both the Environmental Protection Agency ("EPA") and the Federal Energy Regulatory Commission ("FERC");
- Actively engaged in hearings and markups of six state and five federal bills, rules, or other initiatives that would affect the cost and operations of municipal electric systems;
- Maintained compliance with over 450 evolving North American Electric Reliability Corporation ("NERC") standards with 1200+ requirements through monitoring, self-certification, and improved policies and procedures;
- Provided comments on two NERC and FERC-proposed initiatives, standards, and definitions; and
- Made upgrades to the NERC compliance management system for validating critical infrastructure protection analysis.

Finance, Administration, and Customer Service:

- Completed operating and capital budgets which ensure constant utility reliability and excellent customer service;
- Continued to develop, recommend, and evaluate an overall financial strategy that supports PWP's business strategies

and maximizes the value of the utility;

- Continued to update and revise the Power Cost Adjustment Charge, Transmission Access Charge, Purchased Water Adjustment Charge, and the Capital Improvement Charge to enable PWP to adjust to changes in energy and water prices;
- Based on a 2013 cost-of-service study, developed an electric rate structure designed to provide adequate revenue and competitive rates for customers;
- Continued to ensure the effective management of the energy and enterprise risk management program and evaluation of counterparties;
- Completed and published PWP's FY 2013 Annual Financial Report;
- Received a Merit Award for excellence in communications from the American Public Power Association ("APPA") for the FY 2012 Annual Financial Report;
- Processed approximately 500 vendor purchase orders valued at almost \$50 million;
- Monitored over 70 new and ongoing materials and service contracts and associated task orders (excluding energy contracts) valued at over \$160 million;
- Answered more than 116,000 customer calls;
- Produced and mailed over 556,000 bills and 49,000 final notices;
- Processed 125,000 Interactive Voice Response ("IVR")/Interactive Web Response ("IWR") credit card transactions;
- Conducted over 704,000 electric and water meter reads with 99% accuracy;
- Processed over 7,000 online requests to start, stop, and disconnect service;
- Completed 42,000 field service orders to start and stop utility

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services, and to disconnect and reconnect on delinquent customer accounts;

- Maintained bad debt expense below 0.5 percent;
- Improved bill generation speed through a new interface that converts meter reading data to the Electronic Customer Information System (“ECIS”);
- Successfully implemented automated outbound credit calling which augments the final notice process by notifying customers by phone of past due accounts;
- Improved efficiency of meter reading routes by implementing a new RouteSmart software upgrade;
- Successfully completed Payment Card Industry (“PCI”)/Data Security Standards (“DSS”) measures for phone credit card transactions;
- Successfully completed an upgrade of the online service request process with enhanced security to protect customer data;
- Selected a vendor to provide Electronic Bill Print and Presentment (“EBPP”);
- Provided Water and Power customer quotations valued at \$1.0 million and \$1.5 million, respectively; and
- Continued to upgrade medium commercial meters to convert to the MV-90 data system to enhance load data analysis.

Buildings and Technology:

- Started renovation of the office space at the Material Warehouse building at the City Yards which will maximize workspace and allow staff from multiple locations to be consolidated in a single building;
- Completed space place planning at the Field Operations building which enabled the Water meter reading staff to consolidate into one building;
- Installed and configured production and development

application, database, and web viewer servers for the Outage Management System (“OMS”);

- Installed and configured production and development application and database server for the Power SCADA;
- Upgraded Spatial Wave Mapplet to v7.1 and deployed GIS mobile for the Water Division;
- Upgraded the operating system of the AS400 billing system;
- Assisted the City Department of Information Technology in the technology setup, acceptance testing, and troubleshooting of the new Emergency Operations Center (“EOC”) at the City Yards;
- Provided internal technical preparation and support for the implementation of the new Energy Trading and Risk Management (“ETRM”) system;
- Leading ongoing implementation of citywide video surveillance;
- Participated in the vendor selection and creation of scope of work for the City’s new Enterprise Resource Planning (“ERP”) system; and
- Participated in the vendor selection process for the City’s new Enterprise Content Management System (“ECMS”).

FISCAL YEAR 2015 ADOPTED BUDGET

Operating and Capital Budget:

PWP’s FY 2015 Adopted Budget has been developed to reflect changes in the utility industry and to provide funding for multiple priorities, including meeting RPS goals, supporting critical operations, maintaining programs that support distributed generation and energy efficiency, and to ensure sufficient net income to support future capital investments.

Power Fund:

The Power Fund budget is based on a projected revenue increase of about \$6.4 million, which is a net result of proposed rate

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increases and an estimated 1.5 percent anticipated decrease in retail sales. Net Income continues to be impacted by current regulations and initiatives as well as higher General Fund transfers and internal service charges. Rate adjustments may be adopted based on conclusions of the electric cost-of-service and rate study (“ECOS”) and consideration by the City Council.

Water Fund:

The Water Fund budget assumes an approximately 6.0 percent projected increase in water sales resulting in an estimated increase of \$2.8 million in retail revenues. Purchased water costs are also projected to increase by about 10.2 percent due to the combination of higher demand and rising purchased water costs.

Personnel:

The FY 2015 Adopted Budget includes a total of 426.00 FTEs which is 1.0 FTE more than the FY 2014 Revised Budget.

YEAR-OVER-YEAR BUDGET CHANGES

Power Operating Fund:

- FY 2015 personnel costs increased by approximately \$661,000 primarily due to cost increases in PERS, General Liability, and Benefits and a reallocation of FTEs from Capital Fund to Operating Fund. The Power Funds, Operating and Capital, have a net increase of 1.0 FTE in FY 2015 resulting from 2.0 FTEs added for the Underground Utility District project and an elimination of 1.0 FTE due to a reassignment of job duties;
- Services and Supplies have a net decrease of about \$642,000 primarily due to decreases in purchased transmission resulting from the settlement agreement with Los Angeles Department of Water and Power (“LADWP”) and decreases in climate change expense from reductions in projected market prices for emission allowances and the results of wholesale activities. The decreases are offset by increases in short-term purchased power and renewable energy. Property insurance expense is also expected to increase due to higher premiums following accidents related

to gas turbine units GT-1 and GT-2;

- Other increases include interest expense of \$1.9 million related to the issuance of the 2013A Series Electric Revenue Bonds, equipment expense of approximately \$397,000 due to the planned purchase of new and/or replacement vehicles and equipment, and depreciation expense of \$206,000 for the anticipated net impact of addition and retirement of capital assets; and
- The General Fund Transfer also increased by about \$1.4 million due to an increase in the transfer rate (from 9% to 10% of operating revenues).

Water Operating Fund:

- Personnel costs increased by approximately \$198,000 due to cost increases in PERS, General Liability, and Benefits;
- Services and Supplies increased by \$3.4 million primarily due to higher costs for purchased water from Metropolitan Water District and anticipated increases in water sales, chemical and filtering material costs, and maintenance costs associated with the operation of new wells, boosters, and switchgear. A portion of the higher costs for purchased water may be mitigated by the opportunity to extract groundwater previously purchased from MWD;
- Equipment expenses increased by about \$215,000 due to the planned purchase of new and/or replacement vehicles and equipment;
- Depreciation increased by approximately \$455,000 to reflect the anticipated net impact of addition and retirement of capital assets; and
- The total amount of fund transfers decreased by about \$1.9 million due to suspension of the General Fund transfer in response to a legal challenge related to the limitations imposed by Proposition 218. A cost-of-service study was completed to determine actual costs incurred by General Fund services to the Water Fund. These costs have been

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estimated at \$1.5 million while the transfer for maintenance of the Hahamongna Watershed Park has been reduced by \$190,000 as a result of a cost-of-service study that determined the actual cost;

FUTURE OUTLOOK

PWP's focus has been to strategically integrate technology and leverage industry best practices to build a strong infrastructure and increase investment in sustainable, renewable resources.

Power System:

The 2012 energy Integrated Resources Plan update ("IRP") and the revised Renewable Portfolio Standard ("RPS") were approved by the City Council on March 5, 2012. The City's RPS goal of 40% by 2020 exceeds the mandated California goal of 33%. PWP exceeded both the Pasadena and California goals in FY 2014 and expects to meet higher goals in FY 2015. The IRP will be updated in fiscal year 2015 and may result in modified RPS, GHG reduction, and other power resource goals.

PWP entered into two new long-terms solar energy contracts to enhance its RPS and is continually exploring and negotiating contracts for renewable resources to augment its RPS and reduce greenhouse gas ("GHG") obligation in the most cost effective manner. The net 67 MW combined-cycle repowering project to replace Broadway 3 steam unit is progressing steadily. The California Environment Quality Act ("CEQA") approval and air permit have been obtained and a contract for major equipment procurement was awarded in July 2013. The new power plant is expected to be operational by May 2016.

Legislative and regulatory uncertainties continue to create challenges, especially in relation to RPS and GHG cap-and-trade regulations, and enhanced security requirements for electric system substations and other infrastructure. There is a possibility that California will increase RPS goals after 2020. The average market energy cost has increased due to the inclusion of GHG costs associated with the cap-and-trade program. The California

Independent System Operator ("CAISO") is considering several initiatives such as a flexible capacity market, an energy imbalance market, and renewable energy transmission planning, which may affect PWP revenue and expenses

In FY 2015, the Power System Capital Improvement Plan projects will include installation of one oil containment system; completion of the 34 kV substation circuit breaker replacement project; completion of the electrical construction in the public right-of-way of the Hill Street and Arroyo Underground Districts; civil construction of the Alpine Underground District; initial work on the upgrade of the Fair Oaks Substation; continuing seismic upgrades at T.M. Goodrich, Santa Anita, and receiving stations C and D; replacement of seven disconnect switches and relay protection at T.M. Goodrich; continued automation of the electrical distribution system with installation of additional switches and fault indicators and the ongoing repair or replacement of cable, transformers, switches, vaults, and other distribution equipment as needed to ensure system reliability. Work will continue on automation implementation projects as well as ongoing maintenance of SCADA, GIS, and the OMS systems.

As always, timely response to customer requests for new or upgraded service will continue to be a priority as will the development and implementation of training programs for engineering and field personnel.

Water System:

The FY 2015 Water System Capital Improvement Plan also supports many of the goals outlined in the Water System Master Plan, and focuses mainly on the replacement of Pasadena's aging water infrastructure to improve water pressure in the fire lines, water quality, and supply reliability. Due to several variables, including funding limitations and project prioritization, main replacement is proceeding at a slower pace than anticipated. Also, through its meter and vault replacement programs, PWP continues to work toward its goal of replacing more than 37,000 water meters with Automatic Meter Read ("AMR") meters and is expected to

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replace 150 aged services and three vaults in FY 2015. The City Council-approved Water Integrated Resource Plan will continue to provide the roadmap for the development and implementation of future water supply projects and water conservation programs to meet the needs of customers.

Progress was made in FY 2014 to identify the source of the perchlorate contamination at Sunset Wells. The investigation, which included meetings with Jet Propulsion Lab (“JPL”) and the National Aeronautics and Space Administration (“NASA”), as well as officials from the Environmental Protection Agency (“EPA”) and the Metropolitan Water District (MWD”), will continue through FY 2015, until the issue of financial responsibility for the construction of the perchlorate treatment plant is resolved.

Construction of the upgrades to the Arroyo Booster and Monte Vista Well are expected to begin in FY 2015. In addition, design work and permitting of the Arroyo Canyon project will continue in FY 2015 with construction expected to begin in FY 2016. Also scheduled are the construction startup of the Murray Hydro-Pneumatic Zone upgrade and the completion of the feasibility study for the seismic upgrades to Sunset Reservoir. Finally, the assessment and evaluation will continue of the proposed use of the Behner Water Treatment Plant for the storage and treatment of utility water from Monk Hill.

The Water Division continues to develop compliance strategies to keep up with the ever-changing state and federal water quality requirements. Future mandatory capital improvements to the water supply and delivery infrastructure may result from further changes to those requirements.

Water Conservation:

PWP’s per capita water consumption is trending at a relatively steady level, with FY 2015 projected water use slightly higher than the prior year due to two consecutive dry winters and above average summer temperatures that extended into the late fall. PWP has further enhanced the incentives offered by MWD in order to increase participation in a variety of rebate programs to meet

the City’s water conservation goals. Some incentives, such as high efficiency toilets, have been increased as much as 100%. Furthermore, the change in California plumbing codes in 2014 and 2015 will result in the discontinuation of toilet rebates; therefore, the goal is to retrofit as many toilets as possible prior the sunset of the rebate.

Public education workshops, public school programs, and online instructional videos will continue to be offered by PWP, generally targeting outdoor water efficiency and re-use such as rain water harvesting and drought-tolerant landscaping. Due to the current drought conditions, stronger conservation outreach programs are expected. Maximum incentives for the Turf Removal Program were increased for commercial sites from \$5,000 to \$10,000, increasing participation by 20% in the first two quarters of FY 2014. Three Pasadena Unified School District elementary schools have planted new gardens as part of their participation in the program. PWP is now offering incentives for rain barrels to both residential and commercial customers and moisture controlled sensors for irrigation systems. In partnership with Public Works and Arts and Cultural Affairs, a new rain garden was installed at Washington and Marengo Avenue. Additional rain garden demonstration sites are also being identified in City-owned public spaces for future projects.

Public Benefits:

As the planned revenue increase for FY 2014 was not implemented, current Public Benefits Charge (“PBC”) revenues provide insufficient funding to meet income-qualified demand and solar and energy efficiency goals. As PWP continues to adopt increasingly stringent efficiency standards, achieving Pasadena’s aggressive energy efficiency goals becomes more difficult and costly. PWP will evaluate and select a new, modern, and robust data management system with the ability to track customer activity and report goal-oriented results. PWP will continue to update incentive levels and aggressively evaluate, update, and market programs to achieve broad participation and maximize results. Ultimately, it will be necessary to balance the rate impacts and

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PBC-funded program goals in a manner that is acceptable to the community.

Legislative Programs:

Increasing state and federal legislative and regulatory activity in the areas of environmental protections, RPS, conservation and efficiency standards, municipal finance, cyber security, and electric system reliability standards requires more staff or support resources than PWP is currently allocating to these programs. Additional resources may be needed for PWP to document and maintain auditable compliance with over 450 federal and regional-mandated electric reliability requirements, and to track, assess and comment on new and revised definitions, initiatives, and standards. There is the potential for significant fines for violations of reliability standards.

In recent years, the California Legislature has proposed hundreds of utility-related bills each legislative session. PWP anticipates a continuation of this recent trend of increased interest in energy policy and environmental quality issues, and continues to monitor new legislation to prepare for decisions that may affect utility costs, rates, and/or reliability.

Financial Programs:

PWP will continue to focus on its own financial health and stability by implementing the appropriate measurements, controls, and procedures while maintaining a General Fund transfer that

provides the City with a reasonable return on capital. PWP will also continue to conduct competitive analyses to position or reposition itself within the market.

PWP will continue to monitor and recommend electric and water rate adjustments to support operating and capital plans, and is in the process of proposing changes to the electric rates and structure to address the ongoing changes occurring in the electric utility industry. The proposed changes will reflect the economic impacts of new regulations and initiatives such as greenhouse gas, distributed generation, demand reduction, feed-in tariff, smart grid and metering, electric vehicle programs, a time-of-use rates assessment, and will support the development and purchase of renewable resources. PWP is also in the process of completing an analysis and will propose potential new water rates for conservation and stewardship programs and recycled or non-potable programs to fund projects adopted in the Water Integrated Resources Plan.

Other priorities include replacing the current utility billing system with a more robust system that will allow more flexibility in creating and changing rates as regulatory policies change. A needs assessment and requirements definition will be completed in FY 2015. Focus will also continue on outreach efforts to encourage customers to enroll in "e-bill" and other online services, citywide deployment of video surveillance, and the design of a data recovery site.

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SUMMARY OF APPROPRIATION BY EXPENDITURE CATEGORY (\$000)

Expenditure Category	FY2012 Actual	FY2013 Actual	FY2014 Adopted	FY2014 Revised	FY2015 Adopted
Personnel	\$36,838	\$34,421	\$55,712	\$55,712	\$55,539
Services & Supplies	144,587	152,506	159,431	161,431	164,179
Equipment	0	407	1,112	1,112	1,723
Internal Service Charges	3,683	8,686	9,367	9,367	9,496
Principal & Interest	10,957	9,652	11,159	11,159	12,900
Transfers Out	19,173	17,800	19,023	19,068	18,523
Other Expenses	24,033	24,490	24,526	24,526	25,221
Water & Power Total	\$239,271	\$247,962	\$280,330	\$282,375	\$287,581

SUMMARY OF APPROPRIATIONS BY DIVISION (\$000)

Division	FY2012 Actual	FY2013 Actual	FY2014 Adopted	FY2014 Revised	FY2015 Adopted
Power Department	\$189,283	\$197,723	\$222,075	\$222,109	\$225,329
Water Department	49,988	50,239	58,255	60,266	62,252
Water & Power Total	\$239,271	\$247,962	\$280,330	\$282,375	\$287,581

SUMMARY OF APPROPRIATIONS BY FUND (\$000)

Fund	FY2012 Actual	FY2013 Actual	FY2014 Adopted	FY2014 Revised	FY2015 Adopted
106-New Years Day Genl Fund Events	\$11	\$25	\$21	\$21	\$26
301-Project Management Fund	79	19	0	0	0
401/410-Power Fund	189,272	197,713	209,514	209,548	213,456
402-Water Fund	49,988	50,223	52,472	54,483	56,763
411-Power Capital Projects Fund	22,575	35,272	12,544	12,544	11,852
412-Water Capital Projects Fund	10,564	15,144	5,779	5,779	5,484
Capital Reconciliation	(33,218)	(50,434)	0	0	0
Water & Power Total	\$239,271	\$247,962	\$280,330	\$282,375	\$287,581

SUMMARY OF FY 2015 CAPITAL EXPENDITURES (\$000)

	FY2012 Actual	FY2013 Actual	FY2014 Adopted	FY2014 Revised	FY2015 Adopted
Water & Power Total					\$41,226

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SUMMARY OF FTES BY DIVISION

Division	FY2012 Actual	FY2013 Actual	FY2014 Adopted	FY2014 Revised	FY2015 Adopted
Power Department	299.00	298.00	302.00	302.00	303.00
Water Department	124.00	124.00	123.00	123.00	123.00
Water & Power Total	423.00	422.00	425.00	425.00	426.00

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PERFORMANCE MEASURES	FY 2013 Actual	FY 2014 Target	FY 2014 Mid-Yr Actual	FY 2015 Target
Council Goals: Maintain fiscal responsibility and stability; and increase conservation and sustainability.				
Objective A: The City-owned power utility system average rate will be competitive.				
1. Monthly residential electric rates will be comparable with those of selected neighboring utilities.	\$87.24	\$87.51	\$83.07	\$90.92
Note: Target rates represent the weighted average rate for selected utilities based on PWP's consumption profile.				
Objective B: Electrical power interruptions will be minimal.				
1. System Average Interruption Duration Index (SAIDI) will not exceed 120 minutes (cumulative).	22.48	120.00	5.31	120.00
2. System Average Interruption Frequency Index (SAIFI) will not exceed 2 interruptions per year (cumulative).	0.261	2.00	0.126	2.00
Objective C: The City-owned water utility system average rate will be competitive.				
1. Monthly residential water rates will be comparable with those of selected neighboring utilities.	\$66.21	\$64.66	\$71.51	\$75.19
Note: Target rates represent the weighted average rate for selected utilities based on PWP's consumption profile.				
Objective D: The City's water supply will be safe and free of contamination.				
1. Maintain 100% compliance with primary drinking water regulations.	100%	100%	100%	100%
2. Number of annual chemical and bacteriological analyses will not be less than 36,000 per year.	57,634	36,000	25,448	36,000
3. Maintain 100% compliance in required certificates.	100%	100%	100%	100%
Objective E: Residential and commercial electric and water customers will receive excellent service.				
1. Meter readings will be 99% accurate.	99.15%	99.99%	99.9%	99.99%
2. Number of days turnaround time from meter reading to billing will not exceed 5 days.	5	5	5	5
3. Power Fund bad debt expense will not exceed .5% of total Power operating revenues	0.307%	0.500%	0.179%	0.500%
4. Water Fund bad debt expense will not exceed .5% of total Water operating revenues	0.414%	0.500%	0.149%	0.500%
5. Average Call Center telephone response will be less than 30 seconds *Performance Measure start FY14	*N/A	30	77.14	30
Objective F: The City's water mains will be upgraded on a continual basis.				
1. 2.5 miles of water mains will be upgraded.	2.9	3.5	2.1	2.5
2. 6,000 valves will be exercised.	3,893	4,000	5,647	6,000
3. 450 water meters will be replaced.	773	600	232	450
4. 3 water meter vaults will be replaced.	6	5	2.0	3

CITY OF PASADENA
WATER AND POWER

PERFORMANCE MEASURES	FY 2013 Actual	FY 2014 Target	FY 2014 Mid-Yr Actual	FY 2015 Target
Objective G: The Electric Distribution Master Plan will be implemented.				
<u>Infrastructure Replacement:</u>				
1. Number of underground vaults replaced or repaired.	8	15	2	15
2. Number of substation switches installed.	5	4	0	4
3. Number of circuit breakers replaced.	2	3	0	2
<u>Reliable Capacity:</u>				
1. Replace 4 miles of underground cable.	4	4	4	4
2. Replace 30 underground switches.	41	20	25	30
3. Replace 75 distribution transformers.	101	65	65	75
Objective H: The City will encourage the efficient use of electric energy and the installation of customer-owned solar photovoltaic (PV) systems.				
1. Reduce energy consumption by electric customers by 12,750 MWh per year.	14,073	12,270	5,677	12,750
2. Achieve cumulative energy savings from FY2007 of 122,373 MWh	96,750	101,750	95,600	122,373
3. Encourage installation of solar photovoltaic (PV) systems by electric customers by installing 1.40 MW in FY2014.	0.566	1.40	0.24	1.40
4. Encourage cumulative PV capacity installations from January 1, 2008 to present. Goal: 10.5 MW.	4.344	9.10	4.75	10.50
Objective I: The City will encourage the efficient use of water.				
1. Achieve additional acre-feet water savings of 180 feet per year from conservation programs.	184	100	87	180
2. Remove and replace no less than 160,000 square feet of high water consumption turf grass with drought tolerant landscaping *Performance Measure start FY14	*N/A	200,000	100,201	160,000
3. Achieve and maintain baseline per-capita water consumption reduction goals set forth by Environmental Urban Accords and California Best Management Practices. Goal is to <u>maintain</u> per capita daily (GPCD) water consumption at 167.3 gallons. *Performance Measure start FY14	*N/A	167.3	148	167.3
Objective J: The City-owned power utility will meet the Renewable Portfolio Standard (RPS) Goals in Calendar Year 2014.				
1. Meet Renewable Portfolio Standard (RPS) goal of 25% by the end of calendar year 2014	24.1%	22.5%	25.8%	25.0%