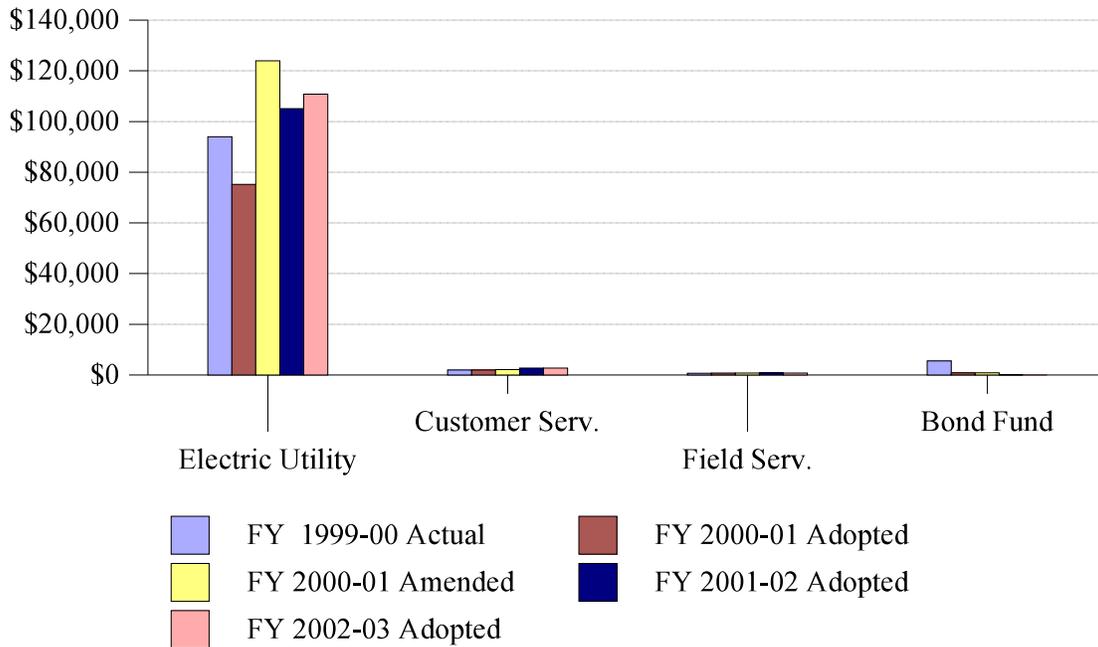


Electric Utility Department

Expenditure Comparisons

(In Thousands)



CITY OF REDDING BIENNIAL BUDGET
FISCAL YEARS 2001-03
ELECTRIC UTILITY DEPARTMENT
(REU)

Overview

The Redding Electric Utility (REU) is moving aggressively to maintain stability in this chaotic power market and to continue to provide reliable power at competitive rates. We are managing change and seeking opportunities in an environment that includes the apparent demise of electric industry restructuring in California, the PG&E bankruptcy filing, uncertainty surrounding the Western resource, and a new political arena with different perspectives and goals. REU is in a strategic transition toward more natural-gas based resources and greater local generation. We are also developing the ability to become our own power scheduling coordinator to assure timely and correct transaction scheduling and reconciliation for this very complex process. The City Council authorized staff to take a number of steps in fiscal year 2000-01 to support REU's transition. A new \$40.6 million combustion turbine generator, Unit #5, was approved, and we are evaluating the potential to partner with another entity to add Unit #6. REU entered into a short-term power purchase contract for winter 2001-02 as a hedge against potential price/supply uncertainties, and a long-term power supply contract which starts delivery in 2004 to replace a portion of REU's reduced Western resource. Concurrently, we are pursuing economically advantageous short-medium and long-term natural gas supplies, and natural gas transmission, to support the City's generation resources.

For planning purposes, it is assumed that some of today's market extremes will be dampened as we move into fiscal year 2001-02 and beyond. For example, fuel and power procurement costs for all of fiscal year 2000-01 are presently estimated to be some \$80 million above the originally adopted level, and power revenues are projected to be more than \$120 million above original projections. A significant portion of those revenue and cost figures represent buy/sell transactions unique to the tumultuous market conditions of the period. For budget planning purposes, fiscal year 2002-03 take a conservative approach-- we are assuming more limited buy/sell transactions over the next two years, as regulatory changes may restrict our power trading opportunities. Revenues and expenses are expected to decline accordingly. Finally, we are projecting that the interim rate surcharge will end by July 1, 2002.

The table below presents Electric's aggregate expenditure components for fiscal years 1999-00 through 2002-03.

Division	FY 1999-00 Actual	FY 2000-01 Adopted	FY 2000-01 Amended	FY 2001-02 Adopted	Change	FY 2002-03 Adopted	Change
Electric	\$ 94,000,162	\$ 75,202,113	\$ 123,960,833	\$ 105,077,170	\$ (18,883,663)	\$ 110,841,620	\$ 5,764,450
Customer Serv.	1,944,083	1,921,280	2,157,693	2,729,210	571,517	2,697,790	(31,420)
Field Serv.	706,578	744,640	804,814	879,830	75,016	757,510	(122,320)
Electric System Bond Fund	1,068,349	0	2,010,390	0	(2,010,390)	0	0
Totals	\$ 97,719,172	\$ 77,868,033	\$ 128,933,730	\$ 108,686,210	\$ (20,247,520)	\$ 114,296,920	\$ 5,610,710

CITY OF REDDING BIENNIAL BUDGET
FISCAL YEARS 2001-03

The following table displays how the Department's budget is allocated among the major expenditure groups.

Division		Personnel	Materials, Supplies, & Services	Capital Outlay	Debt Service	Total
General and Administrative Group	FY 2002-03 Adopted	\$ 923,000	\$ 213,560	\$ 0	\$ 0	\$ 1,136,560
	FY 2001-02 Adopted	897,190	211,390	0	0	1,108,580
	FY 2000-01 Amended	324,978	209,525	0	0	534,503
	FY 2002-03 Adopted	654,470	8,118,090	0	0	8,772,560
Resources Group	FY 2001-02 Adopted	592,160	8,141,620	0	0	8,733,780
	FY 2000-01 Amended	510,019	7,396,455	0	0	7,906,474
Power Production Group	FY 2002-03 Adopted	3,963,810	73,346,260	0	0	77,310,070
	FY 2001-02 Adopted	3,647,810	66,368,770	0	0	70,016,580
	FY 2000-01 Amended	2,763,053	45,010,327	0	0	47,773,380
	FY 2002-03 Adopted	4,595,820	4,075,170	0	0	8,670,990
Distribution Group	FY 2001-02 Adopted	4,376,890	3,995,610	0	0	8,372,500
	FY 2000-01 Amended	4,151,515	3,455,101	0	0	7,606,616
Customer & Energy Services Group	FY 2002-03 Adopted	383,940	2,037,480	0	0	2,421,420
	FY 2001-02 Adopted	355,930	2,179,950	0	0	2,535,880
	FY 2000-01 Amended	305,331	2,647,360	0	0	2,952,691
Customer Service	FY 2002-03 Adopted	1,384,175	1,263,615	50,000	0	2,697,790
	FY 2001-02 Adopted	1,311,325	1,230,385	187,500	0	2,729,210
	FY 2000-01 Amended	1,096,940	934,528	126,225	0	2,157,693
	FY 2002-03 Adopted	662,590	94,920	0	0	757,510
Field Services	FY 2001-02 Adopted	634,870	169,885	75,075	0	879,830
	FY 2000-01 Amended	683,570	97,044	24,200	0	804,814
	FY 2002-03 Adopted	0	0	0	7,798,060	7,798,060
Debt Service	FY 2001-02 Adopted	0	0	0	8,335,690	8,335,690
	FY 2000-01 Amended	0	0	0	13,705,752	13,705,752
	FY 2002-03 Adopted	0	0	4,731,960	0	4,731,960
Capital Outlay	FY 2001-02 Adopted	0	0	5,974,160	0	5,974,160
	FY 2000-01 Amended	0	0	43,481,417	0	43,481,417
	FY 2002-03 Adopted	0	0	0	0	0
Bond Funded	FY 2001-02 Adopted	0	0	0	0	0
	FY 2000-01 Amended	0	0	2,010,390	0	2,010,390
Total	FY 2002-03 Adopted	12,567,805	89,149,095	4,781,960	7,798,060	114,296,920
	FY 2001-02 Adopted	11,816,175	82,297,610	6,236,735	8,335,690	108,686,210
	FY 2000-01 Amended	\$ 9,835,406	\$ 59,750,340	\$ 45,642,232	\$ 13,705,752	\$ 128,933,730

CITY OF REDDING BIENNIAL BUDGET
FISCAL YEARS 2001-03

Capital Outlay

The Electric Utility's revenue funded capital outlay budget for FY01 was an amended \$43.6 million, including the cost of the new \$38.6 million Unit #5 combustion turbine project approved during the year by the City Council. In addition, bond proceeds of \$2 million were approved by Council for a new distribution substation to be built in conjunction with Unit #5. The Capital Outlay budgets for fiscal year 2001-02 and fiscal year 2002-03 are \$6,236,735 and \$4,781,960, respectively. These figures include capital items for the Customer and Field Service divisions; both of which are newly assimilated into Electric from Support Services.

The majority of the capital outlay budgets for fiscal year 2001-02 and fiscal year 2002-03 are for General System Improvements. These costs include the annual recurring expenditures for installation of facilities required to provide reliable electric service to new customers/development and to maintain reliable electric service to existing customers. The facilities installed by City crews and contractors include transformers, poles, overhead/underground conductors, trenching, conduit, vaults, etc. Approximately 70% of the cost is for service to new development and 30% is the cost for capital replacement of deteriorated poles, transformers, conductors, and other items. The remaining capital items being requested are part and parcel of safely operating a highly aggressive and progressive electric utility in today's market in an efficient manner, while maintaining utmost concern for first-class customer service.

The capital budget items are as follows:

For fiscal year 2001-02 and fiscal year 2002-03, respectively, \$3,371,000 and \$3,472,000, for General System Improvements to provide continued reliable electric service to new and existing customers.

For fiscal year 2001-02, \$800,000 and for fiscal year 2002-03, \$80,000 to acquire PG&E distribution facilities for areas recently annexed to the City.

For fiscal year 2001-02, \$425,000 and fiscal year 2002-03, \$225,000 for a PBX-phone switch to replace the existing electric and customer services switching gear. The existing gear is incapable of supporting the volume and nature of calls and call-in features now in use or planned for the near future. A significant amount of call-in customer frustration and angst is the direct result of the existing phone switching gear which is not suited to the volume and nature of calls received.

For fiscal year 2001-02, \$654,100 for new computer software "Power Center Energy Accounting System" to facilitate operations at the Power Control Center. The volume and complexity of business activity now common to the scheduling, purchase, sale, and recording of power-related transactions far outstrips the Center's existing database software.

For fiscal year 2001-02, \$534,010 for required parts for maintenance and upgrades on existing generating equipment at the Power Plant.

For fiscal year 2001-02, \$117,250 to remodel the customer service area at City Hall to better serve walk-in customers in a more friendly environment, and to upgrade the work area to a more efficient configuration. Also, for fiscal year 2001-02, \$99,100 and for fiscal year 2002-03, \$8,500, for building remodeling and improvements at the Redding Power Plant to accommodate new and existing operational and business

CITY OF REDDING BIENNIAL BUDGET
FISCAL YEARS 2001-03

functions and the addition of Unit #5.

For fiscal year 2002-03, \$370,000 for a graphic display board to replace an unserviceable, existing 16 year old map-board of the Electric system. The graphic display board is current technology for representing all of the system components in order to safely and efficiently monitor and manage the system, and for tracking system maintenance and upgrades.

For fiscal year 2002-03, \$500,000 for under-grounding of City electric service apparatus. This is the first year of an ongoing program.

For fiscal year 2002-03, \$71,110 for one network server cluster at the Redding Power Plant to increase network and server reliability.

Various small capital items comprise the balance of the capital request, including: An encoding machine (\$64,350 in fiscal year 2001-02 and \$50,000 in fiscal year 2002-03) to process utility bills, ITRON meter reading equipment (\$75,075) to read some 2,000 remote meters which are read electronically for safety or other special reasons, replacement radios (\$27,525), and communications base and computer hardware totaling \$90,950 in fiscal year 2001-02 and \$5,350 in fiscal year 2002-03.

In addition to the Capital Outlay Budget, Resolution No. 98-139 established a "Special Purpose Fund" for the periodic major maintenance of the Electric Utility's power generating equipment (Major Maintenance Fund). In accordance with this resolution, the amount to be added to this fund each year shall be based on the number of equivalent running hours accrued, multiplied by the current estimated cost of major maintenance per equivalent operating hour. This formula resulted in transfers of \$400,500 and \$450,000 to the Power Plant Maintenance Fund are for fiscal year 2001-02 and fiscal year 2002-03, respectively.

A second "Special Purpose Fund" is the Rolling Stock Replacement Fund. Rolling stock is initially budgeted in the rolling stock replacement fund, and is ultimately expensed during the year in which items are purchased. Fiscal year 2001-02 and fiscal year 2002-03 transfers to the Rolling Stock Replacement Fund are \$337,430 and \$281,750, respectively, but actual purchases during those years are projected at \$319,400 and \$153,700, respectively. Note, these totals now include rolling stock for Field Service (meter reading).

Personnel

The requested personnel budget for fiscal year 2001-02 exceeds the fiscal year 2001-02 amended amount by \$1,985,907, or 18.5%. The fiscal year 2000-01 personnel budget was amended by Council during the course of the fiscal year to support additional customer service staff. There are three main reasons for the fiscal year 2001-02 increases excluding rising health care costs and other employee-related expenses: Anticipated salary adjustments for existing personnel (\$760,000), the requested addition of ten positions (\$700,000), and a requested "place holder" for potential equity and incentive pay adjustments to reflect competitive market conditions for certain key positions (\$540,000). The personnel budget for fiscal year 2002-03 includes an increase of 6.1% over the prior year. This increase is to cover anticipated salary and benefit adjustments and the effect of full-year salary costs for new personnel hired mid-year in fiscal year 2001-02.

The Electric Utility's full-time, part-time, and total staffing levels for the fiscal year 2000-01 amended budget and the adopted budgets for fiscal years 2001-02 and 2002-03 are as follows:

CITY OF REDDING BIENNIAL BUDGET
FISCAL YEARS 2001-03

CITY OF REDDING BIENNIAL BUDGET
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Division		FY 1999-00	FY 2000-01	FY 2000-01	FY 2000-02	FY 2002-03		
		Actual	Adopted	Amended	Adopted	Change	Adopted	Change
Electric	F/T	111.00	110.00	110.00	120.00	10.00	120.00	0.00
	P/T	<u>1.69</u>	<u>1.69</u>	<u>2.72</u>	<u>2.72</u>	<u>0.00</u>	<u>2.72</u>	<u>0.00</u>
	Total	112.69	111.69	112.72	122.72	10.00	122.72	0.00
Customer Serv.	F/T	18.00	18.00	26.00	26.00	0.00	26.00	0.00
	P/T	<u>4.38</u>	<u>4.38</u>	<u>2.46</u>	<u>2.46</u>	<u>0.00</u>	<u>2.46</u>	<u>0.00</u>
	Total	22.38	22.38	28.46	28.46	0.00	28.46	0.00
Field Services	F/T	12.00	12.00	11.00	11.00	0.00	11.00	0.00
	P/T	<u>0.48</u>	<u>0.48</u>	<u>0.48</u>	<u>0.48</u>	<u>0.00</u>	<u>0.48</u>	<u>0.00</u>
	Total	12.48	12.48	11.48	11.48	0.00	11.48	0.00
Total	F/T	141.00	140.00	147.00	157.00	10.00	157.00	0.00
	P/T	<u>6.55</u>	<u>6.55</u>	<u>5.66</u>	<u>5.66</u>	<u>0.00</u>	<u>5.66</u>	<u>0.00</u>
	Total	147.55	146.55	152.66	162.66	10.00	162.66	0.00

Total staffing for the Electric Utility shows 10 new positions in four principal areas. First, there are four new Power Center personnel to strengthen our ability to schedule and provide back-office support for the huge volume of power transactions we now achieve on a daily basis. Second, there are four new Power Production positions to meet the operation and maintenance needs of the Utility's generating facilities. The O&M staff at the Redding Power Plant was reduced several years ago when the plant was operating on a more limited schedule primarily to meet our own system's peaking power requirements. The run times for the existing units are now far in excess of that earlier period as the Utility competes aggressively in the wholesale power market.

Two of the new O&M positions are needed to simply bring our currently understaffed situation back up to normal levels now that we are running our existing generating facilities virtually full time. The other two positions are needed to support the new combustion turbine unit now under construction. These new operation and maintenance personnel are needed in order to maintain a safe operating environment in which general, scheduled, and emergency maintenance can be performed. Moreover, personnel scheduling for operation and maintenance will be much easier, and will help alleviate the need to incur overtime for many routine jobs as is the present case. One of the advantages of generating electricity here in Redding as opposed to purchasing power from other suppliers is the addition of jobs to our local economy.

One new Resources position has been added to support the extraordinary effort required to evaluate the need for and type of new power resources necessary for the Utility to continue successful operations. This critical planning position is needed to assure that Redding will continue to have adequate power supplies to meet customer needs, and at the same time has the staffing to seek new sources of wholesale power for resale to support our wholesale sales campaign. In addition, Resources staff is developing reliable and competitively priced, new natural gas supplies to fuel the Redding Power Plant, and is evaluating the potential to expand into the retail gas market to further benefit the Redding community.

Finally, one new position was added in the Energy Services area to handle the clerical workload associated with the current and anticipated enthusiastic response customers have shown to the dramatically expanded customer benefits programs approved by the City council. Existing Energy Services staff simply could not provide adequate, timely service to all of those either inquiring or participating in the many programs now

CITY OF REDDING BIENNIAL BUDGET
FISCAL YEARS 2001-03

available. On an interim basis, Energy Services Account Managers backstopped the workload to keep as current as possible in processing the related paperwork for our customer programs, but these managers primary responsibility is to meet with our major customers on a regular basis to provide high level service to key accounts.

Significant Issues

Public Benefits Program

The existing Public Benefits Program has been very successful and well received in the Redding community. The proposed enhancements to the Public Benefits Program are targeted to improve REU's outreach to our residential and small commercial customers, build upon existing relationships with the business and development community to increase energy efficiency in new construction, and promote new technology and efficiency measures for the betterment of our community. The table below provides the detail of the components of the FY01 expected expenditures and the adopted FY02 and FY03 expenditures for REU's continuing public benefits program.

Description	EXPECTED FY 2000-01	Adopted FY 2001-02	Adopted FY 2002-03
Research, Development & Demonstration			
SOLAR PV @ REDDING SCHOOL(S)	\$22,000	\$100,000	\$70,000
DOWNTOWN PARKING LIGHTS	30,000	0	0
ELECTRIC VEHICLE	22,000	0	0
CLOVER CREEK DEMONSTRATION HOME	0	65,000	60,000
G&A (Labor, Mats/Sup, Ads)	<u>46,000</u>	<u>22,000</u>	<u>21,000</u>
SUB-TOTAL	\$120,000	\$187,000	\$151,000
Demand Side Management / Efficiency			
CITY HALL SHADE COVERINGS	\$49,000	\$0	\$0
EFFICIENT WATER PUMPS	43,000	0	0
RESIDENTIAL WEATHERIZATION	0	120,000	120,000
EFFICIENCY LOANS	0	60,000	50,000
KOOL VANTAGE	173,000	200,000	200,000
ENERGY STAR	147,000	150,000	150,000
EFFICIENCY INCENTIVES	0	210,000	200,000
CS SUPPORT - DSM	15,000	15,000	15,000
TIME-OF-USE PROGRAM	460,000	475,000	475,000
G&A (Labor, Mats/Sup, Ads)	<u>181,000</u>	<u>142,000</u>	<u>142,000</u>
SUB-TOTAL	\$1,068,000	\$1,372,000	\$1,352,000
Low Income Assistance			
LIFELINE PROGRAM ADMIN - Housing	\$40,000	\$40,000	\$41,000
WEATHERIZATION	20,000	75,000	70,000
CARES	121,000	140,000	120,000
CS SUPPORT - Low Income	40,000	30,000	30,000
G&A (Labor, Mats/Sup, Ads)	13,000	20,000	20,000
LIFELINE PROGRAM	<u>151,000</u>	<u>155,000</u>	<u>155,000</u>
SUB-TOTAL	\$385,000	\$460,000	\$436,000

CITY OF REDDING BIENNIAL BUDGET
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Description	EXPECTED FY 2000-01	Adopted FY 2001-02	Adopted FY 2002-03
Renewable Resources			
GROUND SOURCE HEAT PUMPS	\$10,000	\$40,000	\$40,000
CITY HALL SOLAR	90,000	100,000	0
G&A (Labor, Mats/Sup, Ads)	7,000	23,000	21,000
SUB-TOTAL	\$107,000	\$163,000	\$61,000
TOTAL PBP CHARGES	\$1,680,000	\$2,182,000	\$2,000,000

Debt Reduction Program

The City Council implemented an interim rate surcharge effective April 1, 1997, to facilitate a reduction in the Electric Utility's retail rates to a competitive level in order to prepare the Utility for electric industry restructuring. Funds generated by the surcharge were for the purpose of, among other things, accelerating debt reduction to eliminate debt service expenses. The initial debt reduction goal was approximately \$200 million.

However, as electric industry restructuring matured in California, it was determined that the City would be in a highly competitive position after eliminating its direct generation debt only. To date, the rate reduction program is on track with expectations. At the end of FY01, \$34.6 million in direct generation debt was outstanding, and that total was offset by some \$18 million accumulated in the rate reduction fund. It is projected that previous generation debt defeasances, combined with projected surcharge revenue accumulated through mid 2002, will be sufficient to pay down the City's remaining direct generation debt by the end of FY02.

Five-year Financial Plan

The Electric Utility's financial plan for the current year and subsequent five years is summarized in the table below.

	Fiscal Years Ending June 30					
	2001	2002	2003	2004	2005	2006
Electric Utility Fund Beginning Balance	17.1	56.5	31.6	36.9	35.9	29.3
Rate Adjustments		(23.0%)			5.89%	5.95%
Revenues						
Retail Electric Sales	72.6	74.3	63.0	64.5	68.4	74.3
Wholesale Electric Sales	136.8	44.6	56.8	40.8	30.0	17.6
Miscellaneous Income	3.7	6.3	4.8	4.7	4.7	4.3
Total	213.1	125.2	124.6	110	103.1	96.2
Operating Expenses						
Power Supply	130.8	75.5	82.6	77.7	76.0	66.0
O & M	12.0	15.7	16.0	16.2	16.7	17.2
Total	142.8	91.2	98.6	93.9	92.7	83.2
Revenue Available for Debt Service	70.3	34.1	26.2	16.1	10.4	12.9

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	Fiscal Years Ending June 30					
	2001	2002	2003	2004	2005	2006
Debt Service	11.8	8.4	8.9	9.3	8.9	8.9
Revenue Remaining after Debt Service	58.6	25.7	17.4	6.8	1.5	4.0
Other Expenses						
In-Lieu Payment to the City **	2.1	2.8	3.1	3.2	3.2	3.3
Capital Additions and Improvements	16.3	15.5	7.8	3.8	3.9	3.9
Rate Reduction Funds Used		31.2				
Other Revenues and Expenses	0.8	0.8	0.9	0.9	1.0	0.7
Total	19.2	50.3	11.8	7.9	8.1	7.9
Increase (Decrease) in Funds	39.4	-24.8	5.3	-1.1	-6.5	-3.9
Electric Utility Fund Ending Balance	56.5	31.3	36.9	35.9	29.3	25.4
Debt Service Coverage Ratio	6.0	4.0	3.0	1.7	1.2	1.4

**The increases in In-lieu payments are the result of: (1) A change in the methodology for computing in lieu tax assessments, which immediately increases Electric's contribution to the City's General Fund by some \$370,000 annually; and, (2) An approximate \$400,000 increase in annual assessments resulting from the addition of Unit #5.

Status of Fiscal Years 1999-2001 Goals and Objectives

The status of the Electric Utility's goals and objectives for fiscal years 2000 and 2001 are as follows:

Resources Group

Goal

Monitor, participate in and provide review/comments to Western's 2004 Marketing Plan and contract renewal process.

Accomplishments

Redding has signed a Base Resource Contract with Western for the next 20 year period, where the new contract begins on January 1, 2005. Securing our long term rights to cost based federal hydroelectric power from the Central Valley Project was a major accomplishment that clearly demonstrated the benefit of joint action with other members of the Northern California Power Agency. Redding is continuing to work with Western on resource scheduling issues and custom products that may ultimately be offered to CVP customers, like Redding.

Goal

Prepare for Redding's interface with the California ISO with regard to wholesale power transactions. With the aid of legal counsel, participate at the Federal Energy Regulatory Commission (FERC) in the continued development of the California Independent System Operator (ISO) and the Power Exchange (PX) to protect the City's interests.

CITY OF REDDING BIENNIAL BUDGET
FISCAL YEARS 2001-03

Accomplishments

Numerous significant energy market events have occurred over the last two years. The California electricity market had essentially imploded due to high market prices and short energy supplies. The California Power Exchange has ceased operation and the California ISO is in crisis management nearly every day as it deals with continuing energy stage emergencies brought on by short supply and the financial insolvency of the state's investor owned utilities. Redding staff continues to work on ways to protect the City from unwarranted ISO penalties and charges. As if more rules are the solution, the California ISO continues to make tariff changes at FERC that require the City, in coordination with other municipal utilities, to intervene at FERC and defend our existing contracts. Additionally, the City, through its various lobbying efforts, has thus far been successful in the fight to keep the state's emergency legislation from impacting the municipal community as the governor and the legislature desperately try to "fix" the state's energy problems.

Goal

Manage the long-term resource portfolio to insure a cost-effective, reliable power supply and transmission access to the City's electric customers.

Accomplishment

Over the last year, the Resources Group has completed a nation-wide Request for Proposals from which REU has committed to a long-term firm power purchase for 25MW, and began the construction of a 43MW combined cycle natural gas fired generation project at the Redding Power Plant. The combination of these two resource acquisitions will provide Redding with a low-cost reliable source of energy through the next decade.

Goal

Provide support as necessary to Modesto-Santa Clara-Redding (MSR) and the Transmission Agency of Northern California (TANC) to further the joint powers agencies' efforts to reduce debt and operating expenses.

Accomplishment

Both TANC and MSR are diligently exploring various refinancing opportunities that will reduce Redding's share of outstanding joint powers agency debt in a manner consistent with the City's debt reduction program.

Goal

Monitor and participate in the formation and/or resolution of issues at the local, state, and federal levels which may impact Redding's Electric Utility.

Accomplishments

Through the numerous joint action agencies, REU has diligently defended the City's loads and resources from

CITY OF REDDING BIENNIAL BUDGET
FISCAL YEARS 2001-03

a continuing attack of additional rules and legislation that would potentially pass on significant deregulation costs to the citizens of Redding. Utility staff has participated in an effective manner to influence at all levels of issue management, from both the federal level to the state level.

Goal

Develop proposals for City Council consideration to provide rate parity between customer classes, consistent with the debt reduction program and the cost-of-service study of the electric utility.

Accomplishment

Within City Council's guidelines relating to application of the interim rate surcharge to existing rate levels, no major changes have been proposed to the existing class rate structures. The Resources Group has begun work on several alternative class rate designs that would complement the completion and removal of the interim rate surcharge. Key factors in the alternative design analysis have been, overall structure simplicity, revenue stability, and rate parity between customer classes. To date, unbundled rate information has not been provided on the customer bills. Such information may be displayed on the bills upon completion of the rate review.

Goal

With the assistance of REU's financial advisor, evaluate selected proposals of investment bankers to refund the utility's debt for interest savings.

Accomplishment

Two debt restructuring proposals from investment bankers were reviewed in FY2001 and neither was selected for possible enactment at this time. In the mean time, the Utility and its Financial Advisor have worked with Finance Division and City Treasurer staff to assess various options and to continue with the debt defeasance program.

Goal

Develop a plan for introducing competition and open access to meet the spirit of electric industry restructuring.

Accomplishment

Staff continued to review the efforts of other utilities, including municipalities, as the process of electric deregulation has essentially derailed in California. As before, REU staff found no compelling justification to implement a retail open-access plan. In fact, the overall open access program within the state has virtually fallen apart with most customers that elected to switch Energy Service Providers (ESP) either abandoned by their ESP or electing to switch back to their default provider. Additionally, the state's efforts to "lock in" long term power purchase contracts will likely spell the end of retail open access for many years to come as the state will need customers to pay for their out-of-market contracts a few years from now. The "wait-and-

CITY OF REDDING BIENNIAL BUDGET
FISCAL YEARS 2001-03

see” strategy has proven to be very prudent.

Power Operations Group

Goal

Manage the resources portfolio to maximize wholesale revenues both from power supply and transmission resources while maintaining reliable supply to the City

Accomplishment

Prices have been very volatile in the wholesale market in both California and the Northwest. Prices in the Northwest have for longer periods of time than in the past been higher than those in California. The California ISO has changed the price cap for imbalance energy twice; from \$750 to \$500 and finally to \$250. The wholesale spot market revenue for the recent year to date has exceeded last years number by 376%. This dramatic increase was accomplished through the sale of excess energy from long term contracts, the simultaneous purchase and sale of energy with transmission, and the sale of excess generation in a market with unusually high prices. Net revenues through March 2001 exceed budget projections by more than \$42 million.

The amount of spot market business has substantially increased and so has the information to keep track of it. A project was begun to find effective ways to handle the increase in data and help reduce manual entry errors.

Goal

Manage Power System scheduling and dispatching to provide safe and reliable service.

Accomplishment

Redding Electric Utility has provided assistance to the ISO during numerous Stage 3 Emergencies this past year. Energy was provided from excess generation and load curtailment. REU has had to suspend emergency condition sales to the ISO because of the ISO’s inability to pay.

The energy accounting system was dramatically modified then converted to Microsoft Excel format in house to stay current with the manner in which the wholesale power market business has evolved.

The distribution dispatch operation provided safe and reliable service this past fiscal year through safe and reliable system switching, coordination with crews and expedient response to customer power problems.

Goal

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Ensure that the Power Control Center is responsive to system needs and that system operations are coordinated with maintenance crews and with Western to assure safe working conditions and reliable interconnected system operations.

Accomplishment

The Power Control Center has been responsive to the needs of the system. Many of the System Operators have attended WSCC training sessions, and some have visited the Western Area Power Administration dispatch center which improves communications and working relations.

Implemented the electronic Outage Report System developed by the Distribution group which communicates more efficiently and timely a greater degree of information about outages that affect customers.

The backup Power Control Center installation at Western's Airport substation is complete. Actual operation will soon begin when testing and debugging is completed.

Intranet capabilities have been developed to provide graphs of real-time load data, ISO imbalance energy pricing, distribution bank loading, weather information and distribution breaker status report for viewing by electric utility staff in several locations.

The Customer Service Manager is kept apprized of any events on the electric system that affect many customers or large areas of service.

Monthly meetings are conducted where discussion on relevant topics are covered and questions and answers allow personnel to communicate concerns and receive pertinent information.

Other Accomplishments

The Y2K project was very successful in a number of ways. First the City experienced no power system outages. Other benefits resulted from this project. A well defined emergency plan was formalized. Black start capability was developed with Western and a formal plan for dealing with voltage collapse provides a clear course of action should these events befall the City.

Assistance was provided to the Resources group in the evaluation of additional generation facilities for the City and for potential power supply contracts for neighboring municipalities. A year long supply contract was successfully negotiated that brought together alternatives to provide a lower cost option to another municipality while still benefitting the City.

Goal

Manage the Redding Power Plant safely, efficiently, and reliably.

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Accomplishment

There were zero lost-time accidents in fiscal year 1999-2000 and the present fiscal year. The plant continues to operate with minimum crew. Each time the power plant was called upon, it was able to respond within its design parameters.

Goal

Ensure Power Plant facilities are available to meet system needs and to maximize market opportunities. Benchmark indicators are established for production costs, availability and startup performance.

Accomplishment

The Redding power plant facilities were available to meet Redding's system needs and to sell power to the California ISO when the ISO was experiencing high costs and power shortages beginning in May of 2000. All three combustion turbines as well as Unit 4 were fully utilized to meet peak loads during the numerous ISO Alerts and Stage Emergencies. The performance of the combustion turbines was improved by beginning a program of periodically having the fuel nozzles in each of the units removed and calibrated for fuel flow. This has dramatically improved the start capability of the units.

Benchmarks for the combined Redding Power units are contained in the Performance Measures table.

Distribution System Group

Goal

Continue construction of new or upgrading of existing 115kV transmission, substation, and distribution facilities to meet expanding system needs and maintain a reliable and safe system. Strive to complete projects on time and under budget.

Accomplishment

During FY99/00, the construction for the East Redding Substation 115/12kV transformer addition was completed on schedule and over 20 percent under budget (\$400,000). Over eight miles of new 12kV distribution was installed in FY00 with nine miles also expected to be installed in FY01. Service reliability during 99/00 (as measured by average customer outage time) was better than 1998. Average annual customer outage time in 1999 and 2000 was 32.9 minutes and 39.4 minutes, respectively. This compares favorably to 51.5 minutes for the same period in 1998 and 52.2 minutes for the past three-year average (1996 through 1998). Also, on a very positive note, City outage durations and occurrences continue to be less than one-half the statewide investor-owned utility average.

Goal

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Continue to provide superior customer service to the development community through responsive electric utility designs and timely installation of electric utility supply facilities.

Accomplishment

In April 1996, the Department began sending all commercial and residential developments a one-page survey to fill out after electric service has been provided. The survey form rates the Electric Utility in several areas including cooperation, professionalism, quality of work, and time lines of design and installation of new electric utility facilities. Staff has received very high marks with an overall rating of 4.33 since the survey began with a rating of 4.50 for the last twelve months. The rating is based on a scale of one to five with five (outstanding) being the highest possible rating. Also, an impressive survey return rate of over 42 percent has been maintained.

Goal

Continue to implement a program that allows for trimming of trees on a four-year trim cycle that meets new California State Public Utility Commission (CPUC) tree-trimming clearance standards that were established in January 1997. This includes implementing a program to apply tree growth regulators to slow the growth of faster growing trees located adjacent to or under overhead power lines.

Accomplishment

During FY99/00 and FY00/01, tree trimming contracts were awarded to Davey Tree Surgery Co. and Utility Tree Services, Inc., respectively, to supplement existing Electric Department tree trimming staff. The Davey contract was completed about 25 percent under budget. The Utility Tree Service contract is expected to be completed 20 percent under budget. A new tree trimming truck was delivered in 1999 and another one was delivered in 2000. These new vehicles replace unreliable vehicles allowing us to run our three in-house tree crews on a more regular basis. During FY00, staff began a program of applying tree growth regulators (TGRs) to faster growing trees that are in proximity to overhead power lines. TGRs were only recently approved for use in California; and in addition to slowing tree growth, they promote healthier, green trees. To date, the Electric Utility has treated about 800 trees with TGRs. During 2000, Electric staff also began a program to increase line clearance trimming productivity of existing staff by contracting the weekly banner installation on Pine Street and by contracting for vegetation removal around pad equipment. With these increased tree trimming and tree management efforts, the Department has made significant improvement in its tree trimming program and is in a better position to comply with State standards.

Goal

Continue programs to: (a) accommodate a growing electrical system, (b) provide for State-mandated inspection programs, and replace aging system elements such as wooden poles and underground facilities. This objective is to be accomplished without increasing staff during FY99/00 and FY00/01. Additional staff may be necessary in subsequent years in order to accomplish the replacement programs and concurrently accommodate new development in the City if it increases significantly.

Accomplishment

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During FY99/00 and FY00/01, a full-scale inspection program of both overhead and underground electric utility facilities continued to be accomplished without an increase in staff. The results of the inspections have been significant in preventing unplanned customer and equipment outages. During 1999, we began our planned, second ten-year inspection and treatment cycle of the City's 11,300 poles. The pole treatment program is anticipated to save costs by extending the life of wood poles 10 to 15 years or more. Once fully implemented over a ten-year inspection cycle, savings in excess of \$70,000/year are anticipated from this program. During 2000, we performed our first infrared (thermographic) inspection of the complete overhead electric system. The benefits of the thermographic inspection were significant and we expect to do annually in an effort to comply with State standards for inspection and maintenance. In 1999, we completed the first complete annual inspection/repair of our streetlight system during a two-month period. During 2000, we successfully implemented an ongoing monthly inspection and maintenance program where 1/12th of the streetlight system is checked monthly and repairs are made accordingly.

Goal

Continue to review warehouse ordering procedures in an attempt to minimize inventory and other costs.

Accomplishment

Efforts were continued to streamline bid procedures and requiring vendors to stock some smaller material items (line hardware, elbows, luminaries, etc.). In addition, an existing database developed by staff continued to be improved to better predict distribution system materials required for new development and reconstruction. Staff also continued to repair transformers and switches removed from service and return them to inventory.

These procedures have allowed us to better manage inventory and continue to improve warehouse efficiency. Of major significance, during 2000, all distribution inventory materials (transformers, switches, vaults, etc.) were removed from the Redding Power Plant site and located at the Viking Way Corporation Yard. This significant efficiency improvement was made possible by paving a 2½-acre area at the Corporation Yard during 2000 to allow storage of this material.

Goal

Continue to review new products and procedures available in the industry for possible use by the Utility in its effort to cut costs while maintaining reliable service.

Accomplishments

During FY99/00 and FY00/01, staff continued to make changes to transformer specifications, transformer loss evaluation criteria, switch specifications, insulator specifications, cable specifications, and terminator specifications. These changes have more standardized our equipment purchases and are estimated to have reduced annual costs by over \$40,000/year or more with no anticipated reduction in service quality.

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Goal

Review and update existing 115kV and 115/12kV substation and 12kV distribution expansion plans.

Accomplishments

During FY99/00 and FY00/01, staff updated short-term and long-term planning studies to develop the two-year budget (FY01/02 and FY02/03) and project capital improvements for ten years for cost-of-service studies. Projects were deferred or eliminated wherever possible to reduce costs while not sacrificing service reliability. Sufficient distribution capacity continues to be available to reliably serve all load in the event of a single contingency equipment or main trunk line failure.

Customer & Energy Services Group

Goal

Continue to Promote Public Benefits Program.

Accomplishment

California Law (AB 1890) requires California's electric utilities to develop and administer public benefits programs (PBP) that will provide low-income assistance, encourage energy conservation and renewable resource development, and promote research and development of new energy-related technologies. REU's programs received favorable support in the first peer review of our spending levels. The review suggested potential improvements and program expansions that have been considered by REU and implemented where appropriate.

With City Council authorization, REU has expanded its PBP to include: low-income weatherization, efficiency improvements through the KOOL VANTAGE Air Conditioner rebate program, the ENERGY STAR® appliance rebate program, the Energy Solutions Program for Key Accounts. REU also secured state grant and loan funding to implement a \$600,000 project to replace all of the City's incandescent traffic lights with light emitting diodes that will reduce the City Public Works' annual energy costs by approximately \$100,000 per year. REU's PBP meet the state's spending requirements and provide substantial benefits for the City, the Utility and our customers.

Goal

Enhance the existing Key Accounts program which focuses on business customers in the Redding community, which encourages face-to-face meetings.

Accomplishment

During fiscal year 2000-2001 (FYE 2001), staff increased its Key Account database from 75 of our largest customers to more than 130 customers, by market segment. This database includes the assignment of each Key Account to a staff representative. This allows the customer one contact for issues, questions or concerns. This one contact approach has proven successful for both staff and the customer. Staff can now address issues

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more quickly and accurately because each representative has a background on the customer's business.

Goal

Work with other City departments on the implementation of the ORCOM Information and Billing System.

Accomplishment

Working with Information Systems, Support Services and Finance personnel, REU staff has continued to resolve existing shortcomings or drawbacks to the ORCOM system. This effort will be ongoing in the immediate future.

Goal

Focus on Community Activities and Customer Awareness. Participate in at least two more community activities in each coming year.

Accomplishment

REU has participated in several community activities where customers are open to ask questions and raise issues. Staff also uses these forums as an opportunity to promote energy efficiency and safety, as applicable. Examples of the events REU Staff participated in included: Kids Day at the Mt. Shasta Mall (discussed safety and energy efficiency), Science Bowl Sponsorship, Business Expo at the Redding Convention Center, Chamber of Commerce meetings, and Energy Day at Wheelabrator in Anderson. Staff was invited to present several seminars and workshops on energy efficiency and conservation to various groups and organizations, including senior citizens groups, local mobile home parks, and the Redding-area landlord association.

Goal

Promote New Economic Attraction Service for Manufacturing and Industrial Customers.

Accomplishment

The Electric Utility staff has directly assisted Redding's Economic Development Director and provided support to other City staff with the promotion of Redding and attraction of new customers to the City. This includes local and national trade shows and presentations to potential customers.

The Electric Utility assimilated the City's Customer and Field Services functions effective January 2, 2001. Customer and Field Services Divisions' Goals and Accomplishments are as follows:

Customer Service

Goal

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Continued focus on the customer to provide superior customer service and strive to meet the needs and desires of the community.

Accomplishment

REU staff has developed relationships with many customers in the community. The focus is to talk to customers, enhance relationships, build customer satisfaction, and increase the customer's awareness of the benefits of having a local utility.

Staff has instituted REU's Energy Solutions Program to promote energy efficiency in the commercial and industrial sectors. In partnership with Planergy International, dba Energy Masters, REU has provided some of our Key Accounts customers with energy assessments and prepared proposals on various energy efficiency improvement projects that will reduce peak demand and overall energy reduction for the customers' facilities. The potential projects proposed to date could reduce REU's peak demand level by as much as 750 kW in the summer of 2001.

Goal

To continually identify, evaluate and design system changes, enhancements and upgrades that ensure Redding will be competitive in a deregulated environment.

Accomplishments

1. Conversion to new CIS system implemented Sept 28, 1999 and was within budget.
2. Waste water account audit was completed.
3. Changes in rate calculation methodology for waste water charges under discussion.
4. Solid Waste implemented scale software package 2000 compliant and integrated with the new CIS system.
 1. Utility bills printed and folded in-house. Inserted and mailed by Lewis Delivery Service.

Goal

To evaluate, prioritize and implement customer-requested programs that improve the quality of service provided to our customers.

Accomplishments

1. Group billing is offered on Storm Drain bills.
2. Credit card applications accepted by phone beginning May 2000.
3. Offer Electronic Funds Transfer (EFT) beginning January 2001.
4. Customer able to select preferred due date with new CIS September 1999.

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5. Expanded to some customers upon review of their circumstances.

Goal

To relocate to the new Civic Center without affecting our ability to offer core services to our customers.

Accomplishments

1. We were only closed for one business day. Ready for customers the following day.
2. Customer Service is open every Thursday until 6:00 p.m. for walk in customers only as of January 11, 2001.

Goal

To continually identify, evaluate and design system changes, enhancements and upgrades that ensure Redding will be competitive in a deregulated environment.

Accomplishments

1. Customer Service's billing section receives monthly waste water calculations for the customers serviced by Bella Vista Water District.
2. Expansion of customer contacts to other City departments and divisions is on-going.
3. Streamlined new construction process to initiate new service.
4. Several meetings have taken place and forms developed to assist Power Control and our customers with power outage situations.

Goal

To evaluate, prioritize and implement customer-requested programs that improve the quality of services provided.

Accomplishment

Customer Service staff was trained on the following programs: CARES, Kool Vantage, and Energy Star Rebate Program via bi-monthly staff meetings.

Field Services

Goal

To increase productivity and improve operational efficiencies in the Utility Field Services Division.

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Accomplishment

Streamlined routes and reorganized personnel allowing us to eliminate one full-time position.

Goal

Lower error ratio of meter reading data per 1,000.

Accomplishment

The error ratio has been lowered with the installation of electronic radio transmitting meters in very difficult to read locations.

Performance Measures and Workload Indicators

The table below indicates various measures of growth in the number of customers to be served, the level of service required in terms of capacity and energy, and the continued development of the City's electric service territory.

Utility

Work Load Indicators	1998-99 Actual	1999-00 Actual	2000-01 Estimated	2001-02 Projected	2002-03 Projected
Peak Demand (MW)	207.8	209.0	215.0	221.0	225.0
Gigawatt-Hour Sales	671.2	669.0	679.3	743.6	776.5
Transmission Line Miles	67.3	67.3	67.3	67.3	67.3
Distribution Line Miles	559	567	576	585	594

Customer Service

Workload Indicators	1998-99 Actual	1999-00 Actual	2000-01 Estimated	2001-02 Projected	2002-03 Projected
Electric customers billed monthly	38,828	38,950	39,875	40,000	40,500
Water customers billed monthly	24,742	24,890	25,394	25,500	25,750
Total amount billed (all utilities)	96,048,782	100,960,685	106,000,000	109,000,000	113,000,000
Payment transactions - Credit Card	0	0	4,582	10,000	12,000
Payment transactions - Cashiers	90,985	102,592	109,421	109,421	110,000
Payment transactions - Mailed	366,350	365,772	366,266	366,266	365,000
Customer Service phone calls received	108,459	108,693	121,127	121,127	110,000
Call Center's avg. speed of answer (minutes:seconds)	0:30	0:58	8:58	4:00	2:00
Call Center's longest wait time (minutes:seconds)	3:15	5:02	60:00+	10:00	5:00
Call Center's avg. time per call (minutes:seconds)	3:30	3:64	8:20	6:00	4:00
Call Center calls abandoned	4%	6%	43%	10%	5%

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Workload Indicators	1998-99 Actual	1999-00 Actual	2000-01 Estimated	2001-02 Projected	2002-03 Projected
Call Center's avg. grade of service	75%	73%	30%	60%	75%
Customer Service personal contacts	34,055	41,558	63,063	65,000	66,000
Electric meter reads	449,280	453,600	458,656	470,700	475,407
Water meter reads	289,922	293,018	295,148	299,712	301,210
Utility service requests	22,630	24,382	26,522	36,984	37,984
Utility service miles logged	42,038	47,122	48,200	49,300	50,400
Error ratio per 1,000 meters read	.53	.58	.56	.48	.45

The table below shows numerous standard measurements of utility performance. Measures include: staff effectiveness in providing safe, reliable electric service at competitive prices to consumers; comparison of the City's residential and commercial electric rates with other utilities; and various ratios showing the utility's financial health.

Performance Measures	1998-99 Actual	1999-00 Actual	2000-01 Estimated	2001-02 Projected	2002-03 Projected
1. Transmission and distribution system expense per circuit mile of line ⁽¹⁾	\$4200	\$4600	\$4600	\$4670	\$4740
2. Number of employees ⁽²⁾	113.75	113.75	153.75	163.75	163.75
3. Lost work days due to job accidents ⁽⁷⁾	0	0	40	0	0
4. Number of grievances filed each year	0	0	0	0	0
5. Electric retail kWh sales/Electric worker hours ⁽³⁾	2,899	2,852	2,897	2,912	3,041
6. Number of customers per Electric employee ⁽²⁾	344	345	354	326	330
7. Number of outages ^{(7),(9)}	290	262	295	290	285
Average duration of outages(hours) ^{(7),(9)}	3.2	3.0	3.6	3.4	3.2
8. Electric service reliability: ^{(5),(7),(9)}	99.9906	99.9901	99.9891	99.9906	99.9910
9. Average customer-sustained outage time per year (minutes) ^{(7),(10)}	32.9	39.4	41.2	39.2	37.2
Average customer-sustained outage time per year (minutes) ^{(7),(10)} (excludes major events/storms) ⁽¹¹⁾	32.9	39.4	39.0	37.0	35.0
10. Average number of sustained outages per customer per year ^{(7),(10)}	0.42	0.41	0.47	0.45	0.43
Average number of sustained outages per customer per year ^{(7),(10)} (excludes major events/storms) ⁽¹¹⁾	0.42	0.41	0.45	0.43	0.41
11. Redding Power Plant Availability %	91	95	95	95	95
12. Redding Power Startup Success %	100.00	100.00	100.00	100.00	100.00
13. System average retail rates (¢/kWh)	10.2 ⁽⁶⁾	10.1 ⁽⁶⁾	10.1 ⁽⁶⁾	10.1	8.1
14. Total retail GWh available for use	674	672	682	747.6	776.5
15. Cost of power, cents/kWh	2.6	2.8	7.6	6.4	5.4
16. Debt to total assets ratio	.66	.59	.39	.34	.31
17. Total operating expenses to total expense ratio	.94	.94	.75	.93	.95
18. Safety margin, ratio of cash to operating revenue	1:3.5	1:6.9	1:3.7	1:3.8	1:3.3
19. Operating income as a percent of operating revenue	37.3%	37.2%	32.0%	24.7%	19.0%

Notes:

- Total O&M expense includes all expenses except debt service and capital outlay. Transmission and distribution O&M Expense is total Distribution System expense excluding FERC Distribution Administrative and General expenses and In-lieu payments. Miles of line is total transmission and distribution circuit miles.
- The number of workers represents the number of full-time equivalent employees in the combined Electric, Customer and Field Service operations pursuant to the City's adopted budget. Therefore, all authorized positions are represented, but may not necessarily be filled. Part-time employees are included based upon their proportional number of hours worked compared with a full-time employee.
- Worker hours are computed by multiplying the number of full-time equivalent employees by 2080 hours.

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5. Average Service Availability Index (in percent) =
$$\frac{\text{Customer hours service availability} \times 100}{\text{Customer hours service demand}}$$
6. Includes interim rate surcharge.
7. The information is based upon a calendar year summary. Fiscal year data is not available at this time.
8. 1,000 kWh (residential); 10,000 kWh (small commercial); using the average of summer & winter rates. Note that FY 1999 estimated rate comparisons are carried forward for the following two fiscal years.
9. Number of outages includes outages for any reason .
10. Sustained outage is defined as any outage five minutes or greater in duration. Excludes planned outages and single transformer or service outages.
11. Major event/storms is defined as an event where 10 percent or more of City customers were outaged during a 48-hour period.

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Goals and Objectives for Fiscal Years 2002-2003

Resources Group

Goal

Monitor, participate in and provide review/comments to Western in the transition from the resource Western provides today to the Base Resource and custom products that Western will provide starting in 2005.

Objective

Retain Redding's options to schedule Western energy and optimize the Western resource in the post-2004 time period and earlier if necessary.

Goal

Protect Redding's customers from the California electric deregulation fallout as much as possible. Provide an interface with the California ISO with regard to wholesale power transactions. With the aid of legal counsel, participate at the Federal Energy Regulatory Commission (FERC) in the continued development of the California Independent System Operator (ISO) and the new California power structure as it is formed such that the City's interests are protected.

Objective

Minimize the cost and staffing impacts associated with the transition into operations under the California's rules and procedures, while retaining Redding's current usage of its generation and transmission facilities and insure that costs are not shifted to Redding, and that Redding's use of its facilities is preserved.

Goal

Manage the long-term resource portfolio to insure a cost-effective, reliable power supply and transmission access to the City's electric customers.

Objective

Forecast retail electric usage, and analyze optimum resource plans, including enhancements to existing resources, contract extensions and new contractual arrangements.

Goal

Develop and implement a long-term natural gas portfolio management plan.

Objective

Under current City Council levels of contracting authority, provide for the City's long-term natural gas needs for both the local electric generation, as well as consideration of the local community's natural gas aggregation needs.

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Goal

Provide support as necessary to Modesto-Santa Clara-Redding (MSR) and the Transmission Agency of Northern California (TANC) to further the joint powers agencies' efforts to reduce debt and operating expenses.

Objective

Reduce Redding's share of outstanding joint powers agency debt and operating costs in a manner consistent with the City's interests.

Goal

Monitor and participate in the formation and/or resolution of issues at the local, state, and federal levels which may impact Redding's Electric Utility.

Objective

Participate in and influence the appropriate forums and industry groups such as CMUA and NCPA to develop and support public power issues.

Goal

Develop proposals for City Council consideration to provide rate parity between customer classes, consistent with the debt reduction program and the cost-of-service study of the electric utility.

Objective

Continue to develop and review customer oriented programs for City Council consideration that promote the goal of customer class rate parity. Establish a basis for unbundled electric rates, if necessary, which reflects the actual costs of providing service by function and by customer class.

Goal

With the assistance of REU's Financial Advisor, evaluate selected proposals from investment bankers to reduce the utility's direct debt and to achieve optimum financing terms and rates.

Objective

Develop financing strategies for Council consideration which will minimize financing costs and accelerate the time frame for the utility to pay down its direct generation debt.

Goal

Monitor trends in retail competition and open access to remain apprised of current activity both in California and across the nation.

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Objective

Continue to monitor and review other utilities activities in the retail competition area, as well as monitor the state's legislation regarding open access issues. If necessary, prepare a plan for City Council consideration that will provide for a transition to open access to deregulated electric markets for the City's electric customers if mandated by law. This plan will include appropriate time lines and measures to protect the community's economic interests while complying with related laws and regulations as necessary.

Power Operations Group

Goal

Manage the portfolio of electric power related resources to optimize wholesale revenues while maintaining adequate supply to meet the City's electrical needs.

Objective

Wholesale revenues will be optimized through a combination of: (1) power sales of excess supply; (2) sales of excess gas; (3) sales of capacity reserves of the City's otherwise unutilized generation; (4) sales into the ISO emergency market when advantageous to the City; (5) transmission sales/swaps/exchanges of both COTP and the Desert Southwest Transmission resources; and other power trading transactions that optimize the City's generation and transmission assets.

Goal

Become a certified ISO Scheduling Coordinator (SC) in order to have better oversight of ISO settlements, to maintain the wholesale business that requires SC capabilities and be able to capture wholesale opportunities not otherwise available to the City through a third party SC.

Objective

Add and train staff to perform the Scheduling Coordinator (SC) functions. Maintain an accurate and up to date accounting of ISO settlements. Develop marketing opportunities available through being an SC.

Goal

Manage the Power System to ensure safe and reliable operation of the City's electric system through twenty four hour dispatching of the distribution system and real-time scheduling of the City's power plants.

Objective

1. Review communications for clarity and effectiveness between field crews and distribution dispatchers as well as between power plant operators and real-time schedulers.
2. Review and update the rules and procedures manual to maintain a high standard for safe operating practices.
3. Continue attendance in WSCC training sessions.

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Goal

Ensure the Redding Power Plant is available to meet the City's needs whenever required.

Objective

Maintain the plant in a ready-to-operate state as much as prudent utility practices will allow. Continue to track Redding Power Plant benchmark performance measures to insure reliability for the City's Electric Utility customers.

Goal

Complete construction of the new Unit 5 Gas Turbine on time and within budget and integrate its operation into the Redding Power Plant.

Objective

Manage the construction contracts to conform with specifications. Coordinate commissioning and startup with existing plant operations. Hire additional operating and maintenance staff to allow sufficient staff to be scheduled to ensure the Unit 5 is started within the contracted schedule. All new and existing staff will be scheduled for training required to operate and maintain the new Unit 5 prior to its schedule start-up.

Distribution System Group

Goal

Implement a program to convert overhead utility facilities to underground in selected areas of the City.

Objective

Beginning in fiscal year 2002/2003, after elimination of the interim rate surcharge, it is planned that up to \$500,000 be set aside each year to underground overhead utility facilities. Funds would be accumulated until such time as there are sufficient funds available to do a worthy project. Areas of high visibility in the community would be targeted for undergrounding.

Goal

Continue construction of new or upgrading of existing 115kV transmission, substation, and distribution facilities to meet expanding system needs and maintain a reliable and safe electric system. Strive to complete projects on time and under budget.

Objective

Completion of the following major projects is planned to accommodate new development and maintain a reliable system: completion of the expansion of the Redding Power Substation by July 2002 to accommodate the 43 MW Generator Unit No. 5 addition and the installation of approximately eighteen miles of new 12kV distribution by June 30, 2003. Continue efforts to maintain high system reliability (as measured by average customer-sustained outage time or SAIDI Index) with an objective for system average annual customer outage time to be less than or equal to the previous three-year average of 39.0 minutes (excluding major storm events or 41.3 minutes [including major storms]). Continue efforts to reduce injury and illness rates in the

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Distribution Group and with an objective of no lost time injuries.

Goal

Continue to provide superior customer service to the development community through responsive electric utility designs and timely installation of electric utility supply facilities.

Objective

Continue to receive high ratings on the new business/developer surveys that were implemented during April 1996. These surveys are filled out by the developer/customer after City electric facilities are installed to serve a developer/customer project. The surveys rate the Electric Utility in several areas including cooperation, professionalism, quality of work, and timeliness of design and installation of new electric utility facilities. Staff will strive to achieve the highest overall rating possible (5, outstanding). An overall rating of four out of five possible is considered a minimum acceptable objective (excellent rating).

Goal

Continue to implement a program that allows for trimming of trees on a three- or four-year trim cycle that meets new California State Public Utility Commission (CPUC) tree trimming clearance standards that were established in January 1997. State safety standards require a minimum of 18-inch clearance from trees and 12,000-volt power lines (18-inch rule). Also included in this goal is continuation of a program implemented in FY00 to apply tree growth regulators (TGRs) to slow the growth of faster growing trees located adjacent to or under overhead power lines.

Objective

It is planned to continue and expand a program started in fiscal year 1997/98 of supplementing existing Electric Department tree crews with contract tree trimming crews and to provide some scheduled overtime for City tree trimming crews as budgeted funds allow. To comply with relatively new State safety regulations (18-inch rule), a significantly expanded contract tree trimming program is included for fiscal years 2002 and 2003. It is proposed that an expanded contract for tree trimming be in place by December 1, 2001. In addition, the application of TGRs implemented at the beginning of FY99/00 is planned to be continued by staff. TGRs will be applied to the faster growing Redding trees by existing staff on a regular cycle that is dependent on tree species. TGRs promote healthier, greener trees in addition to slowing tree growth. These programs should allow trees to be trimmed on a three- or four-year cycle and help meet State tree trimming safety standards (the 18-inch rule).

Goal

Continue programs to: (a) accommodate a growing electrical system, (b) provide State-mandated inspection programs, and (c) replace aging system elements such as wooden poles and underground facilities. This objective is to be accomplished without increasing line crew staff during fiscal years 2002 and 2003. Additional line crew staff may be necessary in subsequent years in order to accomplish the maintenance/replacement programs and concurrently accommodate new development in the City if it increases significantly.

Objective

During fiscal years 2002 and 2003, it is planned to continue an overhead and underground inspection program

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that includes a pole treatment program started in FY99. An ongoing pole treatment program is expected to save money over time by extending the average life of the City's 11,300 wood poles by at least 10 to 15 years or more. Once the program is fully in place after a planned ten-year pole inspection/treatment cycle, savings in excess of \$70,000/year are expected. In addition, a combination of outside contract work such as infrared inspection of the overhead system, overtime for City crews, the addition of a part-time documentation clerk in FY02 to allow more field time by overhead and underground inspectors, and some realignment of the field crews is planned to allow for necessary system inspection and maintenance to comply with the relative new State inspection standards (CPUC GO 165).

Goal

Continue to review new products and procedures available in the industry for possible use by the Utility in its effort to cut costs while maintaining reliable service. In particular, staff will continue to remain abreast of the technical advances in metering equipment to ensure customers have access to the most cost-effective metering system.

Objective

Staff intends to continue its review of existing utility standards for possible use of new industry products in an attempt to improve service and reduce material and labor costs without significant effects on quality of service.

Goal

Review and update existing 115kV transmission, 115/12kV substation and 12kV distribution expansion plans with the goal that all customers can be served in the event of a single contingency equipment failure or main feeder line failure.

Objective

As a result of industry restructuring, changing system conditions, and updated load growth data, efforts will, as in the past, focus on creative ways to defer or eliminate the need for electric system expansion projects without sacrificing service quality.

Customer & Energy Services Group

Goal

Continue to increase and improve REU's business relationships through the Key Accounts program.

Objective

This program provides REU's Key Accounts with a vital resource to address any issues they may have regarding City Utility services. REU will enhance the programs that are offered to our Key Accounts to improve our electric service. Ultimately, this connection will serve to create and build long-lasting business relationships for REU and the City.

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Goal

Maximize customer awareness of the potential energy and cost savings from efficiency improvements and assist in developing cost effective demand-side management measures for customers and REU.

Objective

As more of the Energy Solutions Projects are developed to show customers the potential for efficiency improvements and energy cost savings, REU is confident that the program's participation level will increase. REU's objective will be to expand the Energy Solutions Program into the single- and multi-family residential markets as well as the small commercial sector during FY 2002 as part of REU's expanded weatherization program.

Goal

Expand REU's efficiency and conservation program entry to the residential and small commercial markets.

Objective

Historically, Electric Utility staff has gone to homes or small businesses requesting assistance with energy and cost reductions. During these visits after reviewing the customers' home or facilities the REU representative would provide tips on energy efficiency and how to reduce energy costs, as well as brochures and pamphlets that give information in a simple and straightforward manner. From the feedback we have received, customers appreciated this information. It is a vital for REU to continue to reach and provide improved customer service this vital element of our customer base – the residential and small commercial sectors.

Goal

Maintain and enhance REU's ongoing public relations campaign to promote brand loyalty for the City's Electric Utility.

Objective

Continue to present REU in a favorable light for all observers. Enhance the City's Economic Development opportunities using the strength of REU's electric utility service reliability as the primary platform.

Goal

Manage Redding's Public Goods Program for the benefit of our customers and REU.

Objective

REU will look to continue to enhance its PBP to most cost-effectively meet the state requirements and provide the greatest benefit to our customers, the City and REU.

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Customer Service

Goal

To evaluate, prioritize and implement customer-requested programs that improve the quality of service provided to our customers.

Objectives

1. Offer aggregate and/or group billing to all residential and commercial customers.
2. Teleworks - Customers ability to access their utility account via Web and telephone.
3. Pay Stations - Payments taken at Pay Stations should be entered 'on-line'.
4. Redesign Budget Billing program.
5. Redesign the utility bill.
6. Reduce Bad Debt write off.
7. Design a web page for Customer Service.
8. Customers are able to set, close, or transfer their utility services through the Internet.

Goal

To continually identify, evaluate and design system changes, enhancements and upgrades that ensure Redding will be competitive in a deregulated environment.

Objectives

1. Telephone System Upgrades.
2. Written Policies and Procedures Development and Implementation.

Goal

To evaluate, prioritize and implement customer-requested programs that improve the quality of services provided.

Objective

To improve all-around customer service.

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Field Services Group

Goal

Develop and implement a plan to increase Rolling Stock fund.

Objective

Increase vehicle replacement to bring outdated fleet up to current industry standards.

Goal

Continue to increase productivity to offset customer growth without the need for additional personnel.

Objective

Further streamlining of the meter reading routes.

Goal

Lower workmen compensation incidents.

Objective

Utilize electronic radio transmitting meters, eliminating the need for field workers to enter hazardous areas.

Goal

Improve meter reading system.

Objective

Evaluate and upgrade the existing Itron PremierPlus meter reading system.

Unmet Needs

The Electric Utility's fiscal 2002 and 2003 budgets include those items immediately critical to the safe and efficient operation of the Department; therefore, there are no immediate unmet needs at this time.

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Notes