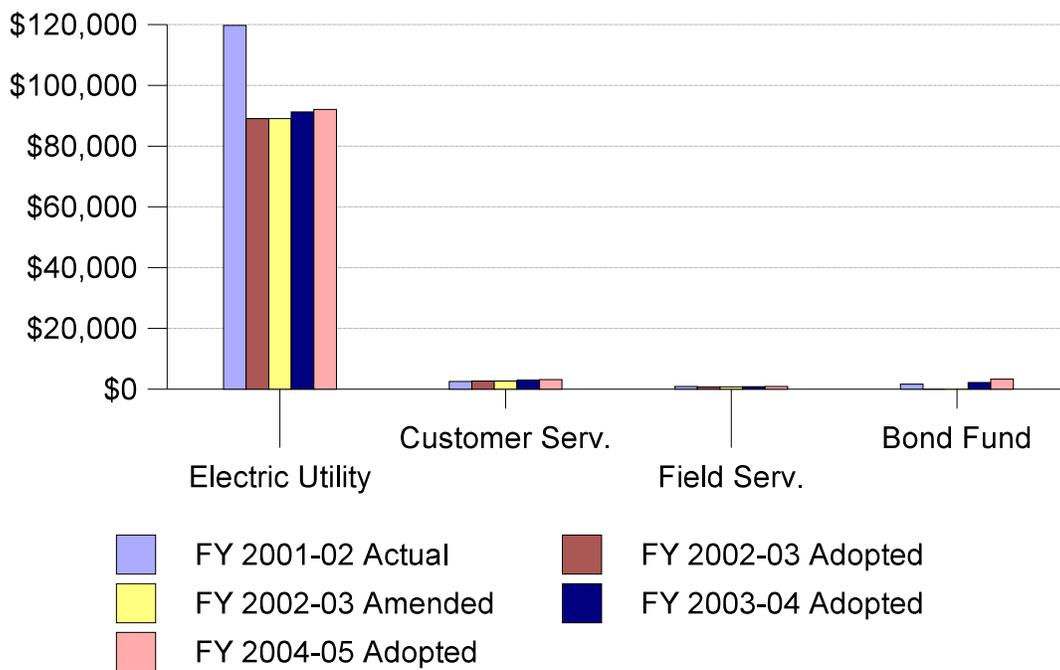


# Electric Utility Department

## Expenditure Comparisons

(In Thousands)



**ELECTRIC UTILITY DEPARTMENT  
(REU)**

**Overview**

The Redding Electric Utility, with its REU brand, continues in its tradition of maintaining reliable electric service and highly competitive rates for our customer/owners. We have emerged successfully from the chaotic power markets resulting from deregulation, and we are managing change and seeking opportunities in an environment that includes the apparent demise of electric industry restructuring in California. REU is vigorously promoting SB 888 to repeal electric industry deregulation in the state. This proposed legislation was supported by the City Council by unanimous vote. REU has unwaveringly pressed the concept that utilities have the absolute obligation to serve their customers, and we believe this legislation promotes that goal. We also believe SB 888 has the potential to reign in some of the high costs associated with residual aspects of deregulation. For example, REU is aggressively challenging attempts by the California Independent System Operator (ISO) to spread its costs to entities such as ourselves who strongly challenge the concept that we should pay for services for which Redding's citizens do not accrue a benefit.

Operationally, REU is securing its strategic transition toward natural-gas based resources by pursuing laddered natural gas commodity contracts and associated gas transportation contracts to minimize power production costs and to assure dependable gas deliveries over the short-medium and long-term. We are also examining the merits of introducing renewable energy technology into our generation mix. Our initial review of solar technology indicates it may have merit as a future City resource based upon Redding's climate and the technology's improving costs/benefit numbers.

The table below presents REU's adopted budgets for fiscal years 2004 and 2005 compared with the prior two fiscal years. REU's total revenue-funded budget for FY04 shows an increase of 2.6% over FY03's amended budget, and FY05 shows an increase of 1.1% over the FY04 level. These increases represent gains of \$2.4 million and \$1.0 million, respectively. Bond-funded expenditures are set to increase \$2.2 million and \$1.0 million, respectively, over the same period. These latter expenditures represent major capital projects that, due to their substantial cost and typical single occurrence, are funded with bonds that were issued for this unique purpose.

Division	FY 2001-02 Actual	FY 2002-03 Adopted	FY 2002-03 Amended	FY 2003-04 Adopted	Change	FY 2004-05 Adopted	Change
<b>Electric</b>	\$ 119,734,559	\$ 89,022,910	\$ 89,076,760	\$ 91,250,480	\$ 2,173,720	\$ 92,047,580	\$ 797,100
<b>Customer Serv.</b>	2,523,025	2,659,590	2,656,590	2,942,820	286,230	3,146,800	203,980
<b>Field Serv.</b>	878,780	725,470	756,930	825,890	68,960	877,030	51,140
<b>Electric System Bond Fund</b>	1,657,936	0	0	2,200,000	2,200,000	3,300,000	1,100,000
<b>Totals</b>	\$ 124,794,300	\$ 92,407,970	\$ 92,490,280	\$ 97,219,190	\$ 4,728,910	\$ 99,371,410	\$ 2,152,220

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

CITY OF REDDING BIENNIAL BUDGET  
FISCAL YEARS ENDING JUNE 30, 2004 AND 2005

Division		Personnel	Materials, Supplies, & Services	Capital Outlay	Debt Service	Total
<b>General and Administrative Group</b>	FY 2004-05 Adopted	\$ 537,820	\$ 510,760	\$ 0	\$ 0	\$ 1,048,580
	FY 2003-04 Adopted	\$ 506,550	\$ 494,450	\$ 0	\$ 0	\$ 1,001,000
	FY 2002-03 Amended	\$ 907,310	\$ 220,330	\$ 0	\$ 0	\$ 1,127,640
<b>Resources Group</b>	FY 2004-05 Adopted	800,150	8,586,310	0	0	9,386,460
	FY 2003-04 Adopted	725,450	7,780,230	0	0	8,505,680
	FY 2002-03 Amended	617,920	9,261,180	0	0	9,879,100
<b>Power Production Group</b>	FY 2004-05 Adopted	4,360,020	50,788,850	0	0	55,148,870
	FY 2003-04 Adopted	3,985,810	51,829,170	0	0	55,814,980
	FY 2002-03 Amended	3,758,660	50,917,170	0	0	54,675,830
<b>Distribution Group</b>	FY 2004-05 Adopted	5,848,430	3,848,180	0	0	9,696,610
	FY 2003-04 Adopted	5,167,130	3,715,190	0	0	8,882,320
	FY 2002-03 Amended	4,379,140	4,102,660	0	0	8,481,800
<b>Customer &amp; Energy Services Group</b>	FY 2004-05 Adopted	462,460	2,507,780	0	0	2,970,240
	FY 2003-04 Adopted	417,200	2,399,560	0	0	2,816,760
	FY 2002-03 Amended	360,300	2,037,480	0	0	2,397,780
<b>Customer Service</b>	FY 2004-05 Adopted	1,794,440	1,352,360	0	0	3,146,800
	FY 2003-04 Adopted	1,586,150	1,289,430	67,240	0	2,942,820
	FY 2002-03 Amended	1,304,285	1,302,305	50,000	0	2,656,590
<b>Field Services</b>	FY 2004-05 Adopted	775,170	101,860	0	0	877,030
	FY 2003-04 Adopted	711,740	114,150	0	0	825,890
	FY 2002-03 Amended	645,550	94,920	16,460	0	756,930
<b>Debt Service</b>	FY 2004-05 Adopted	0	0	0	8,870,670	8,870,670
	FY 2003-04 Adopted	0	0	0	8,835,660	8,835,660
	FY 2002-03 Amended	0	0	0	7,798,060	7,798,060
<b>Capital Outlay</b>	FY 2004-05 Adopted	0	0	4,926,150	0	4,926,150
	FY 2003-04 Adopted	0	0	5,394,080	0	5,394,080
	FY 2002-03 Amended	0	0	4,716,550	0	4,716,550
<b>Bond Funded</b>	FY 2004-05 Adopted	0	0	3,300,000	0	3,300,000
	FY 2003-04 Adopted	0	0	2,200,000	0	2,200,000
	FY 2002-03 Amended	0	0	0	0	0
<b>Total</b>	FY 2004-05 Adopted	\$ 14,578,490	\$ 67,696,100	\$ 8,226,150	\$8,870,670	\$ 99,371,410
	FY 2003-04 Adopted	\$ 13,100,030	\$ 67,622,180	\$ 7,661,320	\$8,835,660	\$ 97,219,190
	FY 2002-03 Amended	\$ 11,973,165	\$ 67,936,045	\$ 4,783,010	\$7,798,060	\$ 92,490,280

**Capital Outlay**

*Revenue Funded Capital Outlay*

CITY OF REDDING BIENNIAL BUDGET  
FISCAL YEARS ENDING JUNE 30, 2004 AND 2005

The Revenue Funded Capital Outlay budget for FY2003-04 and FY2004-05 are respectively \$5,461,320 and \$4,926,150. The FY2003-04 budget is \$678,310 higher than the FY2002-03 amended budget and the FY2004-05 budget is \$535,170 lower than the FY2003-04 budget. The majority of the capital outlay budgets for FY2003-04 and FY2004-05 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.

The capital budget items are as follows:

For FY2003-04 and FY2004-05, respectively, the Electric Department requests \$4,269,900 and \$4,556,700, for General System Improvements to provide continued reliable electric service to new and existing customers.

For FY2003-04, \$135,000 and for FY2004-05, \$15,000 to acquire PG&E distribution facilities for areas recently annexed to the City.

For FY2003-04, \$93,000 and for FY2004-05 \$88,000 for Western control area requirements at the Power Plant. This is a two-year project to integrate the Electric Utility into Western's control area.

For FY2003-04, \$98,000 and for FY2004-05, \$35,000 for SCADA system upgrades at the Power Plant. This is a two-year project to upgrade the existing SCADA system to one that is supportable from both hardware and software standpoints. In addition, this system upgrade is compulsory in order to operate and communicate with Western in the post-2004 era where the new Western contract provides fewer integrated services than the previous contract.

For FY2004-05, \$70,000 for the design and permitting for the construction of a consolidated maintenance shop at the Power Plant. This project would continue into FY2005-06.

For FY2003-04, \$70,000 and FY2004-05 \$50,000 for new asphalt paving at the Power Plant for certain plant areas where walking hazards exist and dust generation poses increased maintenance costs for the nearby facilities.

For FY2003-04, \$55,000 and for FY2004-05, \$100,000 for structure painting to extend the life of various facilities at the Power Plant through the application of professional paint coatings.

For FY2003-04, \$600,000 for a dump condenser for Unit 5 at the Power Plant to provide for the continuous operation of Unit 5 in a simple cycle mode in the event Unit 4 trips off line or is not otherwise operational. The condenser will increase plant reliability by condensing the steam coming from Unit 5 and subsequently reusing the demineralized water from the HRSG during start-up and periods when Unit 4 is off line.

For FY2003-04, \$67,240 for the replacement of a letter extractor for Customer Service. The letter extractor currently being used is approximately 7 years old and is critical to the payment processing operation. The life expectancy for the existing equipment is between 7 and 9 years. The division wishes to solicit bids for more current technology which may combine several functions of the payment processing applications for more operational efficiencies. The equipment is in support of an ongoing maintenance and upgrade program.

Various small capital items for the Power Plant comprise the balance of the capital request, including: A phone extension to the warehouse and maintenance shop areas for \$32,180 in FY2003-04, a warehouse network/server for \$21,450 in FY2004-05, site security improvements for \$28,000 in FY2003-04, and a voice recorder upgrade for \$23,000 to replace outdated equipment in FY2003-04.

#### *Bond Funded Capital Outlay*

The Bond Funded Capital Outlay budget is \$2,200,000 in FY2003-04 and \$3,300,000 for FY2004-05 compared to zero bond funded expenditures in FY2002-03. The budgets are to be funded from the unspent funds from the 1993 Electric Utility Financing, which currently totals approximately \$7.8 million. Some \$1,200,000 is requested for FY2003-04 and \$800,000 for FY2004-05 for the expansion of the Moore Road 115/12kv substation, and \$1,000,000 is budgeted in FY2003-04 and \$2,500,000 is budgeted in FY2004-05 for the Stillwater Business Park 115/12kV transmission line.

The expansion of the existing Moore Road substation is required to assure that all customers are reliably served in the event equipment fails at either the Moore Road or Canby substations. The project should be in service by the summer of 2006. By 2006, the load in the surrounding areas cannot be served without exceeding equipment load limits and/or acceptable voltage limits.

Once the Stillwater Business Park is built, the existing distribution system in the area will only be capable of supporting approximately 6 percent of the potential load in the Business Park. The new transmission line would allow the Electric Utility to reliably serve large block loads within the Business Park upon completion of the Business Park infrastructure.

#### *Major Maintenance and Rolling Stock Funds*

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. Maintenance is budgeted in the fund and ultimately expensed during the year in which the work is completed. Increases in the funding for the Power Plant Maintenance Fund range from \$450,000 in FY2002-03 to \$825,500 in FY2003-04 and \$865,500 in FY2004-05.

The plant has been operating well beyond original expectations, thus requiring greater maintenance expenditures. In addition, the asset portfolio after adding Unit 5 in June of 2002, as well as the operating philosophy concerning the resources in the portfolio, has changed from prior years. From a risk management perspective, it is prudent utility practice to follow manufacturer's maintenance guidelines to ensure the continued, reliable operation of the generating units. To this end, the funding for FY2003-04 and FY2004-05 represent maintenance requirements based upon projected operating hours as well as manufacturer's guidelines.

The Rolling Stock Replacement Fund is similar to the Power Plant Maintenance Fund. Rolling stock is initially budgeted in the rolling stock replacement fund, and is ultimately expensed during the year in which items are purchased. The Electric Utility has three rolling stock funds for the areas of Distribution/City Hall pool vehicles, Redding Power Plant, and Field Services (meter reading). The total funding budgeted is an increase from \$281,750 in FY2002-03 to \$296,700 in FY2003-04 and \$263,860 in FY2004-05.

#### **Personnel**

The Personnel budgets for FY2003-04 and FY2004-05 are respectively \$13,100,030 and \$14,578,490.

CITY OF REDDING BIENNIAL BUDGET  
FISCAL YEARS ENDING JUNE 30, 2004 AND 2005

FY2003-04 budget is \$1,126,865 higher than the FY2002-03 amended budget. The FY2004-05 budget is \$1,478,460 higher than the FY2003-04 budget. The increases are due primarily to increases for IBEW contract- pay equity adjustments and incentive pay adjustments from FY2002-03, a 3 percent cost of living increase for all employees, a 2 percent merit increase for non-represented employees, and increased benefit costs including the Retirement Program.

Retirement Program costs increased by \$751,580 for the FY2003-04 budget compared to the FY2002-03 amended budget which was zero dollars. Contributions to the CAL-PERS program were not required in FY2002-03. However, contributions are required in the new budget cycle of \$751,580 in FY2003-04 and \$1,541,370 in FY2004-05 for the Electric Utility. Budget increases include funding for Employer Paid Members Contributions (EPMC) to CAL-PERS for employees under the IBEW contract as well as for non-represented employees.

Beyond these increases, Personnel costs increased \$351,180 in FY2003-04 and \$401,380 in FY2004-05 due to the addition of five new positions and the upgrading of three existing positions in FY2003-04, and the continued funding of three part-time positions added since the approval of the previous budget. Three of the new positions added in FY2003-04 have been fully funded by reductions in Personnel and O&M costs. In FY 2004-05, Personnel costs increased an additional \$184,730 for the addition of two new positions.

The increase in Personnel costs is also due to an increase in Overtime of \$50,580 in FY2003-04 compared to the FY2002-03 amended budget and \$20,420 in FY2004-05 compared to FY2003-04. The increase in overtime is due to IBEW contract-pay equity adjustments and revised estimates in overtime based on actual experience of the last two years. In addition, there is an increase of \$40,000 for each budget year compared to the FY2002-03 amended budget to accommodate third party claims that are reimbursable.

Offsetting these increases was the deletion of a Project Manager and two part-time Clerk I positions decreasing costs by \$169,460 in FY2003-04 and \$183,490 in FY2004-05. An additional offset is the reduction in the place holder account Miscellaneous Pay Adjustment by \$440,400 in both FY2003-04 and FY2004-05.

The Electric Utility's full-time, part-time, and total staffing levels for fiscal years 2001-02 through 2004-05 are as follows:

Division		FY 2001-02 Actual	FY 2002-03 Adopted	FY 2002-03 Amended	FY 2003-04 Adopted	Change	FY 2004-05 Adopted	Change
Electric	F/T	120.00	120.00	120.00	123.00	3.00	125.00	2.00
	P/T	2.72	2.72	3.74	2.24	(1.50)	2.24	0.00
	Total	122.72	122.72	123.74	125.24	1.50	127.24	2.00

CITY OF REDDING BIENNIAL BUDGET  
FISCAL YEARS ENDING JUNE 30, 2004 AND 2005

Division		FY 2001-02 Actual	FY 2002-03 Adopted	FY 2002-03 Amended	FY 2003-04 Adopted	Change	FY 2004-05 Adopted	Change
Customer Serv.	F/T	26.00	26.00	26.00	28.00	2.00	28.00	0.00
	P/T	<u>2.46</u>	<u>2.46</u>	<u>2.46</u>	<u>1.98</u>	(0.48)	<u>1.98</u>	<u>0.00</u>
	Total	28.46	28.46	28.46	29.98	1.52	29.98	0.00
Field Services	F/T	11.00	11.00	11.00	11.00	0.00	11.00	0.00
	P/T	<u>0.96</u>	<u>0.48</u>	<u>1.44</u>	<u>1.44</u>	<u>0.00</u>	<u>1.44</u>	<u>0.00</u>
	Total	11.96	11.48	12.44	12.44	0.00	12.44	0.00
Total	F/T	157.00	157.00	157.00	162.00	5.00	164.00	2.00
	P/T	<u>6.14</u>	<u>5.66</u>	<u>7.64</u>	<u>5.66</u>	(1.98)	<u>5.66</u>	<u>0.00</u>
	Total	163.14	162.66	164.64	167.66	3.02	169.66	2.00

The Electric Utility's distribution system has grown by 50 percent since FY1990-91 while distribution field operations staff has not increased. Based on a complete inspection and evaluation of our system, over 14,000 man-hours of work per year is not being completed that needs to be completed. This is equivalent to over 8 full-time equivalent positions based on 1,700 hours per year available for productive work. Two additional Lineman positions are requested in FY2003-04 to bring the Electric Utility's overhead and underground inspection/repair program in compliance with State safety standards. Two additional Lineman positions are requested in FY2004-05 to perform needed distribution system maintenance/repair, rebuild work, and conversion of overhead facilities to underground for a growing but aging electrical system.

A three-quarter time Janitor position is requested to be reclassified to a full time Custodian/Utility Worker or similar position in FY2003-04. Currently the three-quarter time Janitor is responsible for performing safety inspections and monthly services on 19 REU staff vehicles, located at three separate REU work sites. He also performs cleaning and maintenance at REU Viking Way Corporation Yard and the Civic Center that is not performed by the contract janitorial service. In addition he transports and files REU records to the archive area at Redding Power Plant, as well as, assisting other REU Divisions with special projects (including over 10% of time on Public Benefits projects) and errands as needed. At the present time the three-quarter time Janitor is unable to perform several of these assignments on a routine basis, requiring higher paid employees to take time from their assigned jobs to perform them. Even with the upgrade, it's estimated 400 or more hours of work per year may not get completed without overtime or additional support.

A three-quarter time Clerk II position is requested in the Distribution division to be reclassified to full time in FY2003-04. The reclassification is necessary to allow the Clerk II time to maintain databases and records to bring the Electric Utility into compliance with State regulations that require numerous records be kept on the utility's overhead/underground inspection program, safety inspections, staff training, tree clearance inspections and streetlight maintenance. In addition, the upgrade should allow time to begin tracking meter assets with the recently implemented ORCOM system to improve operational efficiency.

The reclassification of an Energy Services Clerk III position to a Management Analyst I position is requested for FY2003-04. The current Clerk III is required to perform job duties well beyond the scope of this position. The Clerk III is performing analytical job functions not included in the Clerk III job description, including analysis of Public Benefit Program spending and future budget development and budget tracking responsibilities.

A new part-time Intern position was added in the Resources Group in FY2002-03. As the legislative mandates continue to grow, additional staffing is needed to meet all the reporting requirements. In order to relieve some of the reporting work load and provide an opportunity for a local college student to gain a

CITY OF REDDING BIENNIAL BUDGET  
FISCAL YEARS ENDING JUNE 30, 2004 AND 2005

working knowledge of an office environment, the Resources Group added a part-time intern last year. The position has been successful in downloading some of the more routine efforts from the work load off the Resource Planner to the Intern. Therefore, Resources seeks to continue to fund the part-time intern position in the budget cycle.

A new Systems Analyst position is requested in the Customer Service division in FY2003-04. The Systems Analyst is required to enhance Customer Service's existing E-CIS system capabilities. The daily monitoring responsibilities for system maintenance and special programming requests/requirements of the City's utilities have increased beyond the Information Technology Supervisor position. Although, some technical expertise is available through the on-going maintenance contract for E-CIS, the specialized direct knowledge of the City's operations is not available. The System Analyst would provide that knowledge and perform the additional system maintenance and programming requirements that have occurred. The cost for this position is completely absorbed in the budget with the reduction of Redding's ongoing maintenance contract with the E-CIS system vendor.

A new CSR position is requested in the Customer Service division in FY2003-04. This position will provide an additional full-service window, rather than "payments only" – as currently exists with the existing part-time Clerks, and improved phone coverage in the Customer Service Center. The cost for this position is fully offset by the consolidation/elimination of two, existing part-time Clerk I Cashier positions, and reductions in Overtime Expense and Office Equipment and Repair Expenses.

A new part-time Clerk I position is requested in the Customer Service division in FY2003-04. This new position will monitor and control walk-in traffic and other duties in the Customer Service Center during peak usage periods. The cost for this position will be fully funded by Overtime Expense reductions, with a net zero impact on Personnel costs.

Two new part-time meter reader positions were added in the Field Services division since the previous budget was approved. The two new part-time employees provide assistance in reading meters and performing other such duties as needed to ensure the timely delivery of City of Redding utility bills and revenue collection. Because of the significant increase in utility services and the number of meters served within the City, Field Services staff have been increasingly over-burdened in the past two years. The part-time employees help with the increased demands by assisting the meter readers in collecting required billing information and assisting the Utility Field Workers with field service calls. Therefore, Field Services seeks to continue to fund the part-time meter reader positions in the budget cycle.

## **Significant Issues**

### *Public Benefits Program*

The existing Public Benefits Program has been very successful and well received in the Redding community. The proposed Public Benefits Program targets REU's outreach to our residential and commercial customers, builds upon existing relationships with the business and development community to increase energy efficiency in new and remodel construction, and promotes new technology and efficiency measures for the betterment of our community. The table below provides a summary of the

CITY OF REDDING BIENNIAL BUDGET  
FISCAL YEARS ENDING JUNE 30, 2004 AND 2005

components of the FY03 expected expenditures and the proposed FY04 and FY05 expenditures for REU's continuing Public Benefits Program.

Description	EXPECTED FY 2002-03	adopted FY 2003-04	adopted FY 2004-05
<b>Research, Development &amp; Demonstration</b>			
PROJECT EXPENSES	\$150,000	\$452,000	\$478,000
LABOR (ESTIMATED)	<u>35,000</u>	<u>38,000</u>	<u>42,000</u>
<b>SUB-TOTAL</b>	<b>\$185,000</b>	<b>\$490,000</b>	<b>\$520,000</b>
<b>Demand Side Management / Efficiency</b>			
PROJECT EXPENSES	\$1,200,000	\$860,000	\$897,000
LABOR (ESTIMATED)	<u>90,000</u>	<u>95,000</u>	<u>105,000</u>
<b>SUB-TOTAL</b>	<b>\$1,290,000</b>	<b>\$955,000</b>	<b>\$1,002,000</b>
<b>Low Income Assistance</b>			
PROJECT EXPENSES	\$280,000	\$220,000	\$239,000
LABOR (ESTIMATED)	<u>93,000</u>	<u>38,000</u>	<u>42,000</u>
<b>SUB-TOTAL</b>	<b>\$373,000</b>	<b>\$258,000</b>	<b>\$281,000</b>
<b>Renewable Resources</b>			
PROJECT EXPENSES	\$117,000	\$180,000	\$191,000
LABOR (ESTIMATED)	<u>35,000</u>	<u>19,000</u>	<u>21,000</u>
<b>SUB-TOTAL</b>	<b>\$152,000</b>	<b>\$199,000</b>	<b>\$212,000</b>
<b>TOTAL PBP CHARGES</b>	<b>\$2,000,000</b>	<b>\$1,902,000</b>	<b>\$2,015,000</b>

*Debt Service*

The Electric Utility Debt Service budgets for FY04 and FY05, at \$8.8 million per year, are approximately \$1 million above the \$7.8 million target budget. Prior to REU's extremely successful debt reduction program, debt service figures for all three years, FY03 through FY05 averaged \$16.2 million. As part of the debt reduction strategy, fiscal years 2002 through 2006 were targeted for early debt service reduction, set to average \$7.8 million per year, because those would be initial years of the most significant and aggressive competition under California's electric industry restructuring legislation.

The final step in REU's debt reduction program occurred in April 2002, when the City Council approved financing one-half of Unit #5, paying off the remaining portion of prior generation debt with debt reduction proceeds, and restructuring REU's distribution debt. The City Council also elected to have a level debt service profile for future years. For that reason, REU's debt service is a level \$8.8 million until FY06, when the last of the 1977 general obligation bonds are paid off, and future debt service settles in at \$8.4 million annually. Notably these debt service figures include all costs associated with maintaining a portion of the Utility's debt in very cost effective variable rate bonds, but exclude interest earnings on debt service reserve funds which effectively reduces net debt service by \$400 thousand annually.

**Five-year Financial Plan**

CITY OF REDDING BIENNIAL BUDGET  
FISCAL YEARS ENDING JUNE 30, 2004 AND 2005

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					
	2003	2004	2005	2006	2007	2008
<b>Electric Utility Fund Beginning Balance</b>	54.9	27.8	23.0	19.3	16.1	15.7
<b>Rate Adjustments</b>	<b>6.9%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>2.6%</b>	<b>2.0%</b>	<b>2.0%</b>
<b>Revenues</b>						
Retail Electric Sales	65.0	68.7	72.8	76.7	79.9	83.0
Wholesale Electric Sales	23.1	22.3	16.8	9.7	12.2	11.5
Miscellaneous Income	4.3	4.0	3.9	3.8	3.7	3.7
<b>Total</b>	<b>92.4</b>	<b>95.0</b>	<b>93.5</b>	<b>90.1</b>	<b>95.9</b>	<b>98.2</b>
<b>Operating Expenses</b>						
Power Supply	64.1	60.2	60.4	56.7	58.7	59.6
O & M	15.7	17.5	18.7	19.3	19.8	20.4
<b>Total</b>	<b>79.8</b>	<b>77.7</b>	<b>79.1</b>	<b>75.9</b>	<b>78.5</b>	<b>80.0</b>
<b>Revenue Available for Debt Service</b>	<b>12.6</b>	<b>17.3</b>	<b>14.4</b>	<b>14.2</b>	<b>17.3</b>	<b>18.2</b>
<b>Net Debt Service</b>	8.7	8.4	8.4	8.1	8.1	8.1
<b>Revenue Remaining after Debt Service</b>	<b>3.9</b>	<b>8.8</b>	<b>6.0</b>	<b>6.2</b>	<b>9.3</b>	<b>10.2</b>
<b>Other Expenses</b>						
In-Lieu Payment to the City	3.1	3.0	3.2	3.2	3.3	3.4
Capital Additions and Improvements	7.0	6.5	4.9	5.0	5.1	5.2
Reserves Used	20.6	3.2	0.0	0.0	0.0	0.0
Other Revenues and Expenses	.2	0.9	1.6	1.1	1.2	1.2
<b>Total</b>	<b>31.0</b>	<b>13.6</b>	<b>9.7</b>	<b>9.4</b>	<b>9.6</b>	<b>9.8</b>
<b>Increase (Decrease) in Funds</b>	<b>-27.1</b>	<b>-4.7</b>	<b>-3.7</b>	<b>-3.3</b>	<b>-0.3</b>	<b>0.3</b>
<b>Electric Utility Fund Ending Balance</b>	27.8	23.0	19.3	16.1	15.7	16.1
<b>Debt Service Coverage Ratio</b>	1.4	2.0	1.7	1.8	2.2	2.3

**Status of Goals and Objectives for Fiscal Years Ending June 30, 2002 and 2003**

The status of the Electric Utility's goals and objectives for fiscal years 2002 and 2003 are as follows:

**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.

*Accomplishments*

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In planning for the advent of 2005 and the significant changes in the existing Western power contracts, REU has developed a new locally owned gas-fired base resource to help fill the energy shortfall from the contract change with Western. Additionally the Resources Group has continued to work with Western in operationally defining how the proposed "Slice" of the hydro system will be efficiently dispatched to meet Redding loads. Efforts are underway to work with Western on securing Custom Products from them that will facilitate REU's operations within a Western Control Area.

*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.

*Accomplishment*

The California Energy market has gone through a complete up and down cycle over the last several years. After the 2000-2001 implosion of the California markets, re-regulation has become the regulatory and legislative cure for all the market problems. In their zeal to "fix" the problems of the past, the regulators are proposing solutions that have the potential to create new nightmares. REU staff continues to work on ways to protect the City from unwarranted ISO penalties and charges. Following the never ending California ISO tariff changes before FERC requires the City, in coordination with other municipal utilities, to intervene at FERC and defend our existing contracts.

*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*

On June 1, 2002, Redding Power Unit #5 was dedicated. The successful start-up of this project culminated REU's Request for Proposal process. The combination of signing a 25MW power purchase contract and the development of Unit 5 and Unit 4 into combined cycle operation at the plant will provide Redding with a low-cost reliable source of energy through the next decade. Each year the Resources/Finance Division has developed a retail electric load forecast that is then used as the key input to optimizing the resource portfolio with respect to natural gas purchases and surplus generation sales. Completion of seasonal contract agreements and other transmission arrangements are focused around providing a reliable resource portfolio for the retail load base.

*Goal*

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

*Accomplishments*

REU has put into place a series of natural gas procurement contracts that provide for the long-term purchase of pipeline capacity as well as a portfolio structure for the purchase of gas commodity over various time periods that allow for the averaging of REU's natural gas purchase exposure. Additionally,

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Resources has been working with other municipal agencies toward the possible establishment of a joint action agency for the specific purpose of natural gas procurement and delivery on a cost effective basis for its respective members.

*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 actively pursuing refinancing opportunities to take advantage of the currently low interest rates. All efforts will ultimately reduce REU's outstanding annual debt service obligations 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.

*Accomplishment*

Through the various joint action agencies, REU has diligently defended the City's loads and resources from a continuing attack of additional rules, regulations and legislative attempts that would potentially pass on significant deregulation costs to the citizens of Redding and diminish the authority of the City Council. REU staff has participated in an effective manner to influence both federal and state legislative/regulatory initiatives that have not been in the best interest of public power.

*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.

*Accomplishment*

The financing for one-half of the cost to construct Redding Power Unit #5 was successfully completed along with the restructuring of the utility's long-term distribution debt at very favorable rates.

*Goal*

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

*Accomplishment*

Over the past two years retail competition and open access have died in California. The decision to protect the City from such activities has saved Redding's electric customers significant amounts of money along with insuring the continuation of cost-effective, reliable electric service with no rolling blackouts. Diligent efforts continue to protect the City's electric system from any severe impacts associated with the state's zeal to re-regulate the electric industry.

**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.

*Accomplishment*

The "energy crisis" of 2001 set the stage to essentially deflate the wholesale electric market in 2002-03. Prices have averaged much lower than during the previous biennium. For example, an average price of \$40/Megawatthour in 2001 was as low as \$10/MWh in 2002. The addition of several thousand megawatts of new generation and the demise of many energy trading companies has narrowed the number of market participants while lowering wholesale costs significantly and hence, has reduced potential revenues. However, throughout this market reversal, REU has managed to maintain positive net wholesale revenues, albeit with smaller totals than previous years, thereby contributing to a stable supply cost.

*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.

*Accomplishment*

In an effort to minimize ISO imposed costs and to maintain maximum control over REU's assets, REU has partnered with the Western Area Power Administration for them to continue providing SC services until 2005. At that time, Western plans to become a federal control area, completely separate from and outside of the control of the California ISO. At that point, REU will become a participant in the Western control area and will become its' own 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.

*Accomplishment*

The distribution dispatch operation provided safe, reliable switching control and coordination of field crews throughout the year. They performed exceptionally well during some of Redding's worst storms in recent memory where winds exceeding 70 MPH caused widespread outages. With limited resources in both the control center and the field, restoration times were managed to very acceptable levels.

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The real-time and preschedulers constantly monitored the energy market for opportunities to reduce power supply costs. The success of these groups has been laudable in holding overall costs to below contract levels.

*Goal*

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

*Accomplishment*

Exclusive of planned overhauls, the existing Redding Power Plant units were available 95.1% of the time over the past biennium, which is significantly above the national average of 90.3% for similar plants. Most importantly, the units were available during the system peak periods as well as each additional time that they were called upon to meet the demands of the City's 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.

*Accomplishment*

Unit 5 was constructed on-time and within the approved budget. The unit was commissioned for commercial service on June 7, 2002. Since that time, the unit has logged over 3,500 hours and 77 starts. The unit is over 60% more efficient than the other existing units at the site.

Operations and maintenance personnel spent an average of 83 hours in intense classroom training and three months in hands-on familiarization learning to operate and maintain this new unit. As a result, the start-up, check-out, and testing of the unit went more smoothly than most new unit start-ups.

**Distribution Systems Group**

*Goal*

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

*Accomplishment*

During FY02/03, \$500,000 was budgeted to underground overhead utility lines along Cypress Avenue from just east of Pine Street to just west of Akard Avenue. Construction on this project began in November of 2002 with completion expected by the end of 2003. We currently expect this work will be completed within budget. Each year \$500,000 is proposed to be budgeted for undergrounding utility lines along major streets. When sufficient undergrounding funds are accumulated, an undergrounding project along a major street will be constructed.

*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.

#### *Accomplishments*

During FY2002, the Distribution Group completed the construction to expand the Redding Power Plant switchyard to interconnect Generating Unit No. 5 with REU's electric system. This project was 100 percent complete on May 10, 2002, some 20 days in advance of a June 1, 2002, required completion date. The total cost of the switchyard expansion, including owner-furnished material, design, and inspection costs was just over \$1.8 million or 9.8 percent under the project's \$2.0 million budget. More than ten miles of new 12kV distribution was installed in FY02 with nine miles also expected to be installed in FY03. Service reliability during 2001 and 2002 (as measured by the average system customer outage time excluding infrequent major storm events where 10 percent of REU customers are impacted) was better than 2000. Average annual customer outage time in 2001 and 2002 was 21.0 minutes and 29.3 minutes, respectively (excluding major storm events). These figures compare very favorably to 39.40 minutes for the same period in 2000 and 39.0 minutes for the past three-year average (1998 through 2000). 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*

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

#### *Accomplishments*

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 timeliness of design and installation of electric utility facilities. Staff has received very high marks with an overall rating of 4.38 since the survey began with a rating of 4.53 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 40 percent has occurred since the survey began. Throughout the year, staff receives compliments from customers about the high quality service they receive from REU.

#### *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 (TGR) to slow the growth of faster growing trees located adjacent to or under overhead power lines.

#### *Accomplishments*

During FY01/02 and FY02/03, four tree-trimming contracts totaling \$765,000 were awarded to Utility Tree Services, Inc., (UTS) to supplement existing Electric Department tree-trimming staff. In addition, more than \$40,000 in contracts were issued to clear vegetation around poles, pad equipment, and substations to comply with State standards. The total contract tree-trimming/vegetation-management budget for FY01/02

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and FY02/03 is expected to be at least 5 percent under budget. During FY01 and FY02, staff continued a program started in FY00 of applying tree growth regulators (TGR) to faster growing trees that are in proximity to overhead power lines. TGR was only recently approved for use in California; and in addition to slowing tree growth, they promote healthier, greener trees. To date, the Electric Utility has treated more than 1500 trees with TGR. In addition, during FY02 and FY03, Electric staff continued a program to increase productivity of existing line clearance tree-trimming staff by contracting the weekly banner installation on Pine Street. With the above tree-trimming and vegetation-management efforts, the Department continues to make significant improvements in its tree-trimming/vegetation-management programs 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 (c) replace aging system elements such as wooden poles and underground facilities. This objective is to be accomplished without increasing 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.

*Accomplishments*

During FY01/02 and FY02/03, a full-scale inspection program of both overhead and underground electric utility facilities continued to be performed without an increase in staff. The results of the inspections have been significant in preventing unplanned customer and equipment outages. However, in FY03/04 and FY04/05, additional line crew staffing is proposed to better comply with State inspection/maintenance standards and to perform needed reconstruction and new business work. During 1999, we began our planned, second ten-year inspection and treatment cycle of the City's 11,800 wood 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 FY01/02 and FY02/03, more than \$800,000 in contract costs (trenching, conduits, boxes, etc.) was spent on replacing obsolete direct-buried/CIC cable systems with modern conduit systems, replacing inadequate splice boxes with larger splice boxes and replacing obsolete/unreliable subsurface transformers with modern pad-type transformers. During 2001 and 2002, we performed our second and third annual infrared (thermographic) inspections of the complete overhead electric system. The benefits of the thermographic inspection were significant and we expect to continue to do annually in an effort to comply with State standards for inspection and maintenance. In 2001, 2002, and 2003, we continued a program started in 1999 to annually inspect/repair our streetlights. Each month, one-twelfth of the streetlight system is checked for problems, and repairs are made accordingly. The program has been successful in reducing customer complaints of streetlight problems, and it also helps us comply with State inspection and maintenance standards.

*Goal*

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

*Accomplishments*

Efforts were continued to streamline bid procedures and require vendors to stock some smaller material items (line hardware, elbows, secondary connectors, 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, when possible, transformers and pad

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switches removed from service and return them to inventory. Enhanced methods were implemented FY01/02 for line crews to charge out material used on construction projects resulting in significant improvements in accuracy of the year-end inventory. The year end inventory completed in June of 2002 was clearly the most accurate ever with minimum inventory adjustments required. All the above procedures have allowed us to better manage inventory and continue to improve warehouse efficiency.

*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 program.

*Accomplishments*

During FY01/02 and FY02/03, staff continued to make changes to transformer specifications, switch specifications, insulator specifications, cable specifications, and terminator specifications to take advantage of industry improvements in these products. These changes have more standardized our equipment purchases without measurable cost increases but with anticipated improvements in long-term service quality. Staff continues to bid and purchase the latest in metering equipment required to meet customer needs and to comply with REU rate schedule requirements.

*Goal*

Review and update existing 115kV and 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.

*Accomplishments*

During FY01/02 and FY02/03, staff updated short-term and long-term planning studies to develop the two-year budget (FY03/04 and FY04/05) project capital improvements. Projects were deferred or eliminated wherever possible to reduce costs while not sacrificing service reliability. Sufficient distribution substation and feeder capacity continues to be available to reliably serve all load in the event of a single contingency equipment or 12kV feeder main trunk line failure. The studies did show, however, a need for a power transformer addition at Moore Road Substation prior to the summer of 2006 to assure all load can be reliably served for a single contingency substation equipment failure at Moore Road Substation or Canby Substation. Funds for this substation expansion are being requested in the FY04 and FY05 budgets.

**Energy Services Group**

*Goal*

Manage Redding's Public Benefits Program (PBP) and 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 Redding Electric Utility (REU).

*Accomplishments*

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

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resource development, and promote research and development of new energy-related technologies. REU's programs continue to receive favorable support in peer reviews of our spending levels. The review again suggests further potential program expansion, and REU has expanded several programs where appropriate.

With City Council authorization, REU has expanded its PBP to include a series of energy efficiency rebate programs now known as REU's Vantage Rebate Programs. The Vantage programs consist of low-income weatherization, efficiency improvements through the KOOL VANTAGE Air Conditioner rebate program, the ENERGY STAR® appliance and window rebate program, Vantage Replacement Lighting, Geothermal and Renewable Energy rebates, energy efficient Pumps & Motors and to improve air-quality, the Cordless Electric Lawnmower rebate program.

Again, REU secured state grant funding totaling \$600,000, which allowed REU to deliver two compact fluorescent lamps to every residential customer within City limits. REU teamed up with local high school students to accomplish the ambitious delivery to every Redding household. REU submitted this PBP project to the California Municipal Utilities Association for a Community Service/ Resource Efficiency Award and was named California's 2003 small utility winner. REU's PBP continues to meet the state's spending requirements and continues to provide substantial benefits for the City, the Utility and our customers.

*Goal*

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

*Accomplishments*

During fiscal years 2001-2003, REU hosted 16 Key Account Luncheons drawing nearly 100 of its top customers to each event. These luncheon forums allow REU's top customers the opportunity to network with other Redding professionals, but more importantly, the opportunity for a questions and answer session with the Utility's Director. Guest speakers at these events have included a State Assemblyman, the Director of Northern California Power Agency, and the Shasta County Economic Development Corporation's Chief Executive Officer, among others.

REU's Key Account Management staff continues to foster good relationships with its top 130 customers through regular communications including quarterly newsletters and personal visits. The single point of contact for all City services as provided through REU's Key Account Program has been well received and used very frequently.

*Goal*

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

*Accomplishment*

REU staff continues to assist residential and small businesses requesting assistance with energy and cost reductions. During these visits, after reviewing the customers' home or facilities, the REU representative provides tips on energy efficiency and how to reduce energy costs, as well as brochures and pamphlets that provide information in a simple and straightforward format. From the feedback we have received, customers appreciate this individualized effort.

*Goal*

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

*Accomplishments*

REU has participated in several community activities where customers are encouraged to ask questions and raise issues. Staff also uses these forums as an opportunity to promote brand loyalty, energy efficiency and safety, as applicable. Examples of the events REU staff developed or participated in include: Energy Efficiency Day at the Mt. Shasta Mall, Northern California Regional Science Bowl Sponsorship, Business Expo at the Redding Convention Center, Chamber of Commerce meetings, Energy Day at Wheelabrator in Anderson and the highly anticipated Annual REU Energy Fair, where more than 4,000 community members descend upon City Hall to learn about the latest energy saving products and technologies. Staff was invited to present several seminars and workshops concerning energy efficiency and conservation to various groups and organizations, including senior citizens groups, local church groups, and the Redding Housing Authority's HUD program participants.

**Customer Service**

*Goal*

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

*Accomplishments*

Implementation of group billing product was completed for storm drain accounts. This feature has reduced mailing costs as well as eliminating customers receiving multiple mailings.

Credit card process enhancement. Customer Service now offers customers the options of paying with credit card directly at the Customer Center lobby, through our Website, or via the telephone (Integrated Voice Response) 24 hours per day. The program has also been expanded to include Discover and American Express cards, in addition to accepting Visa and Master Card.

The number of utility payment drop box locations have been increased to six. These boxes have been conveniently located throughout the community.

The Budget Bill program was revised, providing another alternative for customers to effectively budget their utility costs.

A utility statement redesign is currently a work in process, and completion is anticipated on or before fiscal year end. Efforts for this project were concentrated on simplification, while providing essential information regarding utility usage.

Bad debt write-off decreased by approximately 15%, directly attributed to deliberate and systematic monitoring of delinquent accounts.

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Customer Service now offers a full-service Website that includes customer access to utility rates, schedule of utility fees and service charges, pay assistance programs, rebate information, and energy and water conservation tips. Customer Service also expanded the on-line services to allow customer to complete an application to set, close or transfer their utility services, bill payment, review current statement, and download relevant forms, i.e., Automatic Payment Plan, Lifeline and Life Support.

A remodel of the Customer Service lobby was completed during FY02-03, which afforded customers more privacy and personal service while conducting their business. Many positive comments have been received from customers regarding the improved and professional facility.

In conjunction with the remodel, a new Q-Matic numbering system was installed to improve and streamline traffic flow at the Customer Service lobby. The new system allows customers an opportunity to relax until their number is announced, as well as visually displayed over a television monitor.

An ongoing survey is available in the Customer Service lobby, offering customers an opportunity to comment on the customer service they receive from staff. This survey has also been provided in a monthly newsletter to all customers along with their utility bill.

An internal evaluation was conducted by way of a survey, which prompted the development of an ACTIONS (A Commitment to Identify Options and New Solutions) committee, with the goal of improving and supporting customer service operations. In addition, a Quality Control team was established to improve operation efficiencies within Customer Service. The team is responsible for reviewing and streamlining current processes, and serves as a resource for implementing and improving procedures.

*Goal*

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

*Accomplishments*

A new telephone system was installed for several divisions within the Electric Department. Initially, efficiency service rating was at 59%, since then, it has increased to 68%. A consistent increase in the percentage is anticipated during the next fiscal year, and by July 2005, it is anticipated to be as high as 85%. The Call Center has documented much improvement in this area through substantial reduction in return message data. This improvement is directly attributed to callers reaching a customer service representative on their initial call.

A comprehensive Policies and Procedures Manual was completed, which standardized responsibilities and serves as resource for all functions within Customer Service.

**Field Services**

*Goal*

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

*Accomplishments*

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Increased safety awareness and training efforts to reduce absenteeism due to industrial accidents and sick leave.

Installed upgraded ITRON handheld meter reading equipment and software.

*Goal*

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

*Accomplishment*

The error ratio has continued to be reduced from historical levels with improved equipment and high level of professionalism exhibited by meter reader personnel.

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**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*

<b>Work Load Indicators</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03 Estimated</b>	<b>2003-04 Projected</b>	<b>2004-05 Projected</b>
Peak Demand (MW)	211.1	202.9	227.1	225.8	230.8
Gigawatt-Hour Sales	701.5	731.7	737.6	752.3	766.8
Transmission Line Miles	67.3	67.3	67.3	67.3	67.3
Distribution Line Miles	573	583	592	602	612

*Customer Service*

<b>Workload Indicators</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03 Estimated</b>	<b>2003-04 Projected</b>	<b>2004-05 Projected</b>
Electric customers billed monthly	39,875	40,000	40,888	41,706	42,540
Water customers billed monthly	25,394	25,500	25,975	26,495	27,024
Total amount billed (all utilities)	106,000,000	109,000,000	113,000,000	117,500,000	122,000,000
Payment transactions - Credit Card	4,582	10,000	15,108	15,410	15,718
Electronic Funds Transfer			2,200	2,310	2,426
Total Walk-In Traffic - Cashiers	109,421	109,421	81,063	82,684	84,338
Payment transactions – Mailed	366,266	366,266	388,310	396,076	403,997
Customer Service phone calls received	121,127	121,127	90,000	91,800	93,650
Call Center's avg. speed of answer (minutes:seconds)	8:58	4:00	1:32	1:00	:45
Call Center's longest wait time (minutes:seconds)	60:00+	10:00	8:00	4:00	2:00
Call Center's avg. time per call (minutes:seconds)	8:20	6:00	5:50	3:00	3:00
Call Center calls abandoned	43%	10%	6%	4%	2%
Call Center's avg. grade of service	30%	60%	67%	75%	85%
Electric meter reads	458,656	470,700	474,864	484,361	494,049
Water meter reads	295,148	299,712	311,700	317,934	324,293
Utility service requests	26,522	36,984	40,733	41,548	42,379
Utility service miles logged	48,200	49,300	50,400	51,408	52,436
Error ratio per 1,000 meters read	.56	.48	.45	.43	.41

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.

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Performance Measures	FY2001	FY2002	FY2003 (Est.)	FY2004 (Proj.)	FY2005 (Proj.)
1. Transmission and distribution system expense per circuit mile of line <sup>(1)</sup>	\$4,912	\$5,171	\$5,400	\$5,670	\$5,900
2. Number of employees <sup>(2)</sup>	152.66	163.16	164.66	167.66	169.66
3. Lost work days due to job accidents <sup>(7)</sup>	26	59	30	0	0
4. Number of grievances filed each year	0	0	0	0	0
5. Electric retail kWh sales/Electric worker hours <sup>(3)</sup>	2,209	2,156	2,154	2,157	2,173
6. Number of customers per Electric employee <sup>(2)</sup>	260	248	253	256	260
7. Number of outages <sup>(7),(9)</sup>	263	367	370	375	380
Average duration of outages(hours) <sup>(7),(9)</sup>	2.4	3.5	3.1	3.0	2.9
8. Electric service reliability: <sup>(5),(7),(9)</sup>	99.9946	99.9827	99.9900	99.9905	99.9910
9. Average customer-sustained outage time per year (minutes) <sup>(7),(10)</sup>	21.0	80.2	40.5	40.0	39.5
Average customer-sustained outage time per year (minutes) <sup>(7),(10)</sup> (excludes major events/storms) <sup>(11)</sup>	21.0	29.3	30.1	29.6	29.1
10. Average number of sustained outages per customer per year <sup>(7),(10)</sup>	0.28	0.75	0.44	0.43	0.42
Average number of sustained outages per customer per year <sup>(7),(10)</sup> (excludes major events/storms) <sup>(11)</sup>	0.28	0.40	0.36	0.35	0.34
11. Redding Power Plant Availability %	93.3	97.0	95.0	95.0	95.0
12. Redding Power Startup Success %	100.00	100.00	100.00	100.0	100.0
13. System average retail rates (¢/kWh)	10.6 <sup>(6)</sup>	9.6	8.8	9.1	9.5
14. Total retail GWh available for use	682	745	777	793	808
15. Cost of power, cents/kWh	6.0	7.5	5.1	5.3	5.2
16. Debt to total assets ratio	.32	.42	.37	.34	.31
17. Total operating expenses to total expense ratio	.83	.62	.91	.91	.91
18. Safety margin, ratio of cash to operating revenue	1:3.7	1:2.6	1:3.4	1:4:1	1:4:9
19. Retail revenue as a percent of total revenue	30%	51%	72%	73%	79%

Notes:

1. 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.
2. 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.
3. Worker hours are computed by multiplying the number of full-time equivalent employees by 2080 hours.
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.
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.
12. Based on OSHA Form 200 and 300 data.

## **Goals and Objectives for Fiscal Years Ending June 30, 2004 and 2005**

### **Resources Group**

#### *Goal*

Work closely with Western Area Power Administration (Western) in the transition from the resource Western provides today to the Base Resource and custom products that Western will provide starting in 2005. Additionally, work with Western and support the development of a Federal Control Area.

#### *Objective*

Retain Redding's options to schedule Western energy and optimize the Western resource in the post-2004 time period and earlier if necessary. Help isolate Redding from any impacts of the California Independent System Operator (California ISO) by joining the Federal Control Area.

#### *Goal*

Protect Redding's customers from the California electric deregulation fallout as much as possible. Provide an interface with the California ISO and other state agencies with regard to wholesale power and natural gas transactions. With the aid of legal counsel, participate at the Federal Energy Regulatory Commission in the continued development of the California 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 interfacing with California's rules and procedures, while retaining Redding's current usage of its generation and transmission facilities and ensure that costs are not shifted to Redding, and that Redding's efficient use of its facilities is preserved.

#### *Goal*

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

#### *Objective*

Continue to develop a diverse resource portfolio that provides rate stability while incorporating renewable energy supplies.

#### *Goal*

Manage Redding Electric Utility's (REU) 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.

#### *Goal*

Provide support as necessary to Modesto-Santa Clara-Redding and the Transmission Agency of Northern California to further the joint powers agencies' efforts to optimize use of agency assets.

*Objective*

Provide oversight of joint powers agency operations in a manner consistent with the City's interests while maximizing the City's benefits realized from each joint powers agency. Support agency efforts with Western to secure long-term transmission arrangements beyond December 31, 2004, when several Western-Pacific Gas and Electric Company contracts expire.

*Goal*

Monitor and participate in the formation and/or resolution of issues at the local, state, and federal levels that may impact REU.

*Objective*

Participate in and influence the appropriate forums and industry groups such as California Municipal Utilities Association and Northern California Power Agency to develop and support public power issues.

*Goal*

Monitor trends in electric deregulation and stay apprised of current activity both in California and across the nation.

*Objective*

Continue to monitor and review other utilities' activities in the deregulated markets, as well as monitor the state's legislation regarding deregulation.

**Power Operations Group**

*Goal*

Manage the electric power resource portfolio to maximize the benefit to the City while maintaining a safe, reliable supply to meet the City's electrical needs.

*Objectives*

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/swaps/exchanges of unutilized COTP and the Desert Southwest transmission resources; and (5) other power trading transactions that optimize the City's generation, transmission, fuel, and energy contract assets.

*Goal*

Maintain accurate and complete business records of all energy related transactions conducted by the division.

*Objective*

Maintain an accurate and up to date accounting of all energy billings and settlements. Maintain complete and accurate transaction records of all energy related business deals.

*Goal*

Manage the Power Control group to ensure the 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 production, transmission, and contractual resources.

*Objectives*

1. Maintain clear and effective communications between field crews and distribution dispatchers, as well as between power plant operators and real-time schedulers.
2. Maintain an up-to-date rules and procedures manual to ensure a high standard for safe operating practices.
3. Ensure that all operators are WECC trained.

*Goal*

Ensure a high availability of the City's power production facilities in order 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*

Ensure the proven operational reliability of the new Unit 5 Gas Turbine such that it is ready to serve the City's needs when called upon.

*Objectives*

All systems relating to the Unit will be tested and checked for their operability and reliability. The unit will be operated and maintained in a manner that will maximize its' value to the City. In areas where the Unit does not perform as warranted, the OEM (Alstom) will be involved in the correction of the deficiency. Unit performance will be expected to exhibit reliability, availability, and start-up successes greater than NERC statistics for similar plants nationwide.

*Goal*

Ensure continued environmental leadership at the Redding Power Plant site, including compliance with all permit emission requirements.

*Objectives*

The generating units will be maintained and operated in a manner such that they emit less than the allowable limits of pollutants stated in their Operating Permits. Continuous Emissions Monitors will be maintained and tested as required by the EPA and local agencies. Emission records will be maintained and submitted to those agencies as required by the Operating Permits.

All chemicals received onsite will be labeled, stored, used, and wastes disposed of in a responsible and environmentally sound manner. All employees using such chemicals will be trained in their safe and allowable use.

The Redding Power site will be kept in a clean, well maintained manner that will present a positive image of the City of Redding.

**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 electric system. Strive to complete projects on time and under budget.

*Objectives*

Completion of the following major projects is planned to accommodate new development and maintain a reliable system: completion of the expansion of Moore Road Substation to include a second power transformer and four 12kV feeder circuits prior to summer of 2006 and the installation of approximately 20 miles of new 12kV distribution by June 30, 2005. Continue efforts to maintain high system reliability (as measured by the system 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 five-year average of 33.5 minutes (excluding major storm events). Continue efforts to reduce injury and illness rates in the 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

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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). 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. In addition, efforts will be continued to clear vegetation around power poles, padmounted equipment, and substations to comply with State standards, reduce fire threat/liability, and improve operations.

*Objective*

It is planned to continue to improve 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. A modest increase in budgeted funds for contract tree trimming is requested for FY03/04 to help comply with State safety regulations (18-inch rule) and compensate for a reduction in in-house tree-trimming staff. It is proposed that a new contract for tree trimming be in place by December 1, 2003. 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. Contracts will continue to be issued to clear vegetation around poles, pad equipment, and substations to comply with State standards, reduce fire threat, and improve operations.

*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.

*Objective*

During fiscal years 2004 and 2005, it is planned to continue an overhead and underground inspection program 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 11,800 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, two new lineman positions are requested for FY03/04 and two new lineman positions are requested for FY04/05 to allow for the necessary system inspection, maintenance, and repair work to comply with the State inspection/maintenance standards. In addition to maintenance and inspection, this additional staffing will also be used to rebuild aging areas of REU's electric system, perform new business work, and assist with conversion of overhead utility lines to underground.

*Goal*

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

*Objective*

A review of past ordering practices and future material needs will be implemented to see if there are areas where we can improve operational efficiency and reduce warehouse material inventory to cut costs.

*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.

*Objective*

Staff intends to continue its review of existing utility standards for possible use of new industry products in an attempt to both improve service reliability and reduce material and labor costs.

*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 12kV main feeder line failure.

*Objective*

As a result of 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.

*Goal*

Continue the program that began in FY02/03 to convert overhead utility facilities to underground in selected areas of the City.

*Objective*

The FY03/04 and FY04/05 budgets are proposed to include \$500,000 each year to fund conversion of overhead utility lines along major streets to underground. The FY03/04 funds will be utilized to underground lines on Cypress Avenue from just west of Akard Avenue to Hartnell Avenue. For future budget years beyond FY04/05, \$500,000 per year is also proposed to be budgeted for undergrounding overhead lines and when sufficient underground funds are accumulated, undergrounding projects along major streets will be constructed.

**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

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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.

*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 all customer classes and REU.

*Objective*

As more of REU's energy efficiency programs are refined to demonstrate to 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 energy efficiency education into the single- and multi-family residential markets, as well as the small commercial sector during FY04-05 as part of REU's expanded Public Benefits 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, a REU representative would provide tips on energy efficiency and how to reduce energy costs, as well as brochures and pamphlets that provide information in a simple and straightforward manner. From the feedback we have received, customers appreciated this information. It is vital for REU to continue to reach out and provide improved customer service to this critical 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*

Promote Economic Development and Economic Attraction Service for new and existing manufacturing and industrial businesses.

*Objective*

Key Electric Utility staff actively assists the Economic Development Corporation of Shasta County in its endeavors to promote Redding for business expansions and relocations. This includes local and national trade shows and presentations to potential customers.

*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 standards, as well as to provide the greatest benefit to our customers, the City and REU.

**Customer Service Group**

*Goal*

Develop and implement a Quality Monitoring Program to support Customer Service efforts in the Call Center.

*Objective*

To establish a database for research and statistics to evaluate programs and improve efficiencies.

*Goal*

To continually identify, evaluate and develop customer service training programs, to deliver quality customer service.

*Objectives*

Provide telephone technique training to Customer Service staff to keep current on industry trends and enhance telephone skills. To establish a team of individuals who can provide ongoing coaching for current staff and training to new recruits.

*Goal*

To evaluate and identify solutions and implement enhancements to the telephone system.

*Objective*

To further enhance the credit card process via IVR (Integrated Voice Response) by removing the AVS (Address Verified Sale) line from the program.

*Goal*

To increase our overall satisfaction rating by 10 percentage points each year in 2003/04 and 2004/05.

*Objective*

Provide quality customer service and demonstrate to the community a commitment to quality customer service and a customer care attitude.

**Field Services Group**

*Goal*

Continue to increase productivity and efficiencies to offset customer growth without an increase in staff levels.

*Objective*

Further streamlining of the meter reading routes utilizing advanced software support.

Installation of electronic read transmitters (ERT) meters for specific water and electric services with difficult to access meter sites.

*Goal*

Decrease the number of workmen compensation incidents.

*Objective*

Utilize electronic radio transmitting meters, eliminating the need for field workers to enter hazardous areas. Augmentation to the safety awareness and education program.

*Goal*

Improve meter reading system.

*Objective*

Evaluate and identify solutions to upgrade the existing interface between Itron meter reading system and ORCOM E-CIS with particular focus on the service order generation process.

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Notes