



Minutes

Lakewood City Council

Adjourned Regular Meeting held
January 30, 2001

MEETING WAS CALLED TO ORDER at 7:00 p.m. by Mayor Piercy in the Executive Board Room at the Civic Center, 5000 Clark Avenue, Lakewood, California.

ROLL CALL: PRESENT: Mayor Wayne Piercy
Council Member Joseph Esquivel
Council Member Marc Titel
Council Member Larry Van Nostran
ABSENT: Vice Mayor Robert Wagner (excused)

PRESENTATIONS:

PRESENTATION BY CITY LIGHT & POWER ON ELECTRICAL ENERGY CRISIS

City Manager Howard Chambers reported that although the particulars of the issue were very complex, it was clear that California was now in a state of crisis over electrical energy. He advised that the City had been contacted by City Light & Power regarding an alternative for avoiding future energy problems. He asked the Assistant City Manager to briefly review activity in Sacramento on the energy crisis.

Assistant City Manager Michael Stover reported that the whole of the energy crisis could be summed up in a column written by Dan Walters for the *Sacramento Bee* which stated that so far, California legislators had a perfect record of being wrong on energy policy matters. The legislature had begun the process that would clear the way for rate increases. Also pending was legislation that would allow the State to purchase and sell power or acquire its own power generation plants. As deliberation continued, items not yet addressed were the huge debts of Southern California Edison Company and Pacific Gas & Electric, even though an audit had shown that Edison made a substantial shift of profits from early in the deregulation process to its parent company. He noted that Assemblywoman Oropeza was prepared to introduce legislation that would make it illegal to withhold power from the grid and Assemblywoman Havice wanted to exempt schools from rolling blackouts. He concluded by noting that February 7th would end the requirement for out-of-state suppliers to supply power to California.

Responding to questions from Council Members Van Nostran and Titel, Mr. Stover stated that there was not enough power generated in California to handle demand and that 20 percent of the required power must be imported. He also confirmed that the need for imported power was not new or attributable to the current crisis.

Council Member Van Nostran inquired if there was any plan for legislation to require all power generated in California to be kept within the State. The Assistant City Manager responded by stating that any such legislation would be litigated immediately.

PRESENTATION BY CITY LIGHT & POWER ON ELECTRICAL ENERGY CRISIS

Tom Simmons, City Light & Power, presented slides demonstrating a process for the City to purchase or condemn the electric distribution system now owned and operated by the Southern California Edison Company since 1955.

The City Manager inquired about how power would be supplied for a municipal-owned system. William Simmons, City Light & Power, responded by stating that a municipal utility would be able to negotiate for power outside of the regulated market, meaning the City would never have to pay more and most likely would pay less for power.

Responding to a question from Council Member Titel, Mr. W. Simmons stated that a municipal system would not have to be maintained by employees, but the City could contract with CLP for the service. He also stated that under today's regulations, Edison would be required to be the default provider of power, if the City could not acquire power from other, less expensive sources. He noted, however, that Edison was trying to get legislation passed that once a city was outside the regulated market, it could not come back in.

Council Member Van Nostran asked if there was information about the condition of the distribution system and what, if anything, would need to be improved. Mr. W. Simmons stated that the system would need at least two new substations and various small repairs.

Jim Mosier, CLP, advised that the approximate cost or fair market value of the system was around \$16 to \$20 million, with an additional \$6 to \$10 million for upgrades. The system could be funded through a bond issue, for which CLP would be obligated, similar to the funding for the street lighting improvements.

Responding to a question from the City Manager, Mr. Mosier stated that if the City were to acquire the electric distribution system, the electric rates would be set by the City Council, not the Public Utilities Commission.

When asked about a timetable for acquisition, Mr. W. Simmons stated the process could take up to 18 months and that the need for condemnation was almost a certainty. He noted that Edison could choose to vigorously fight the effort or could offer a settlement in order to drop the municipalization effort.

Public Works Director Lisa Rapp noted that the City of South Gate had attempted to break away from So. Cal. Edison and had gone through a long public hearing process.

Mayor Piercy asked which other cities had expressed an interest in municipalization. Mr. W. Simmons stated that the cities of Torrance, Beverly Hills, West Hollywood, and Cerritos were considering the process.

When asked for his opinion, the City Manager noted that Edison had a good deal of influence in Sacramento and could attempt to introduce legislation to block the process. He also stated that he would like to see a pro forma to see how the numbers would work.

PRESENTATION BY CITY LIGHT & POWER ON ELECTRICAL ENERGY CRISIS

Council Member Titel stated it was a serious issue and the Council should look at the numbers, but noted that it would be a tough fight and was not a solution to current crisis.

The City Manager inquired about a proposed power plant in Long Beach and the possibility that they might have excess energy to sell. Mr. W. Simmons stated that the Long Beach Port Authority did not want to give up any land for the project, so the project had stalled.

Mayor Piercy noted the City Council's interest in receiving more information and instructed staff to work with City Light & Power.

STATUS REPORT ON PEERLESS WATER SYSTEM ACQUISITION

Water Resources Director Jim Glancy stated a hearing before the Public Utilities Commission was scheduled to be held March 16th. He noted that at a settlement meeting between Southern California Water Company, Peerless Water Company and the PUC staff, a verbal proposal had been made that the PUC should authorize the merger at the agreed price with a rate freeze through 2002. At the conclusion of the rate freeze, between 2002 and 2004, So. Cal. Water Co. could increase rates as much as ten percent per year. He stated that the City would probably not fare well with the PUC and that the alternatives were to pursue condemnation/ eminent domain proceedings or the let the merger proceed and attempt to deal with So. Cal. Water later.

Council Member Titel stated it was more a matter of condemning the system or writing off 105 residents.

ORAL COMMUNICATIONS: None

ADJOURNMENT

There being no further business to be brought before the City Council, Mayor Piercy adjourned the meeting at 8:02 p.m.

Respectfully submitted,

Denise R. Hayward, CMC
City Clerk