TO: HONORABLE CITY COUNCIL
ATTENTION: FINANCE COMMITTEE
FROM: CITY MANAGER DEPARTMENT: UTILITIES
DATE: MAY 9, 2006 CMR: 219:06
SUBJECT: PROPOSED REVISIONS TO UTILITIES RULES AND REGULATIONS

RECOMMENDATION
Staff recommends that the City Council approve the attached resolution amending Utilities Rules and Regulations 2 (Definitions and Abbreviations), 3 (Description of Services), 4 (Application for Service), 5 (Contracts), 9 (Discontinuance and Restoration of Service), 10 (Meter Reading), 11 (Billing, Adjustments, and Payment of Bills), 13 (Shortage of Supply and Interruption of Delivery of Electricity, Gas, Water, and Fiber Optic Continuity), 17 (Conversion to Underground), 18 (Electrical Service Connections and Facilities on Customer’s Facilities), 20 (Special Electric Utility Regulations), and 26 (Fiber Optic Service Connections and Facilities on Customer’s Premises), and adding Rule 27 (Generating Facility Interconnections).

BACKGROUND
Presently, there are twenty-six Utilities Rules and Regulations (Rules) which set forth the conditions for providing utility services in the City. The Rules address a wide range of operating procedures, conditions and customer requirements, including the rendering and payment of bills, replacement of overhead and underground distribution facilities, customer deposits, electric voltage and frequency control, and reasons for discontinuance of service. Water, gas, electric, storm drainage, wastewater collection, refuse, and fiber optics are addressed in the Rules.

The last major revision to the Rules was in 1998 (CMR 196:98), but individual rules have been brought before Council from time to time as the need for revisions arose. Inevitably, there is an ongoing need to add new provisions, delete unnecessary or errant language, or update language to reflect current (and new) practices and procedures.
**DISCUSSION**
The proposed Rules revisions in this report are based on meeting at least one of the following criteria:

- Accurate reflection and clarification for the customer and/or City of Palo Alto (CPAU) staff of existing operations and practices
- Compliance with the latest federal, state, and local laws and codes, as well as new City Council policies
- Consistency with industry standards, direction, and practices
- Routine revisions of a minor nature, such as revising outdated language, spelling, etc.

There are a number of minor changes as well as significant revisions to the rules proposed by staff. Some rules have been consolidated to centralize related subject matter. Other rules have been amended or expanded. A new rule and title has also been established (Rule 27, Generating Facility Interconnections). The proposed revisions are shown in underlined/strikeout type in the attached rules. The remainder of this report summarizes the significant changes:

**Rule and Regulation 2: Definitions and Abbreviations**
Description: Provides a list of definitions of utilities terms and acronyms often used in the Rules.

Significant changes: Terms have been added related to fiber optic services and generating facility interconnections.

**Rule and Regulation 3: Description of Services**
Description: Identifies basic types of utilities services provided by CPAU and indicates service delivery voltages, gas pressures, water and wastewater treatment, frequency of refuse collection, calculation of storm drain fees, and fiber optic licensing services.

Significant changes: Adds clarifications of the requirements for point of delivery of electricity to secondary services; sets forth customer’s responsibility to provide equipment to accept service voltage changes; and expands definition of fiber optic licensing services.

**Rule and Regulation 4: Application for Service**
Description: Provides information requirements for a prospective customer, including information required to establish credit of a customer.

Significant changes: Adds provisions specific to fiber optic installations.

**Rule and Regulation 5: Contracts**
Description: Provides descriptions of special conditions which may require a customer contract.

Significant changes: Adds clarification that fiber optic services require a contract and restructures oversight and reporting section to conform to Energy Risk Management Policies.

**Rule and Regulation 9: Discontinuance and Restoration of Service**
Description: Establishes the circumstances under which service is discontinued.

Significant changes: A provision has been added whereby service can be discontinued should a customer’s electric load be in excess of CPAU’s capacity and such usage threatens to damage or cause failure to CPAU’s equipment.

Rule and Regulation 10: Meter Reading
Description: This rule defines how often meters will be read, under what circumstances meter reads will be estimated, how meter reading errors are handled and how the “Customer Reads Own Meter” program works.

Significant changes: The meter-read verification process has been expanded for the “Customer Reads Own Meter” program, allowing for annual reading by CPAU personnel.

Rule and Regulation 11: Billing, Adjustments, and Payment of Bills
Description: Establishes bill preparation and payment process, including when payment is due, late charges, and budget billing procedures. It also clarifies circumstances under which a customer’s bill may be adjusted to reflect current Utilities Department practice and the applicable adjustment periods.

Significant changes: The bank draft program has been added to the “Payment of Bills” section. Removed from Budget Billing is the restriction that customers wait until July 1 to participate. CPAU’s billing system calculates an average charge based on the prior 12 months usage. The requirements for allowing property owners to sub-meter tenants have been clarified.

The most significant change relates to customer-requested billing reductions. Prior policy permitted customer bill reductions for “excessive consumption”, such as water leaks from broken or damaged irrigation systems. These “leak credits” totaled $47,000 for the Water Fund during the previous 12 months and must be absorbed by other taxpayers.

Such failures on the customer’s side of the meter are not under the control of either the Utilities Department or other ratepayers and conflict with other policies for customer responsibility. These policies identify water and gas end-use systems as the responsibility of the customer. One example is when systems are “Red Tagged” by Utilities Field Service personnel, are turned off for customer safety, and require the customer to obtain the services of a qualified plumber before service can be restored. Under this proposed Rule and Regulation change, such billing credits will now only be available if CPAU or other City staff is responsible for the leakage.

Also, for meters that upon investigation have been found to be inaccurately read, refunds or backbill calculations will now be based on the lesser of “period of use” or six months for residential customers, and the lesser of “period of use” or one year for commercial customers. Late payment penalties in such cases, if any, will be waived.

Rule and Regulation 13: Shortage of Supply and Interruption of Delivery of Electricity, Gas, Water, and Fiber Optic Services
Description: This rule states that CPAU will make reasonable efforts to deliver continuous and sufficient utility service to its customers, but does not guarantee such delivery.

Significant changes: The title has been expanded to include fiber optic services.

Rule and Regulation 17: Conversion to Underground
Description: Defined are the policies and priorities with respect to underground conversions and the assigning of underground conversion districts.

Significant changes: A provision has been added to include fiber optic facilities as part of the undergrounding projects. It also adds roadways which are designated by Public Works as a high priority for re-pavements into the first priority category for underground conversion; clarifies intent and purpose of the priority schedule; and clarifies that the cost of overhead street light and fiber systems that are to be undergrounded will be borne by the applicant(s).

Rule and Regulation 18: Electrical Service Connections and Facilities on Customer’s Facilities
Description: Establishes the technical specifications and requirements to connect a service lateral to the City’s electrical distribution system.

Significant changes: Adds language reinforcing that the customer must have the necessary substructure on his/her property for CPAU to provide service. Also clarifies that one service line is allowed on a parcel. Additional lines are a special facility and costs shall be borne by the applicant for the installation.

Rule and Regulation 20: Special Electric Utility Regulations
Description: Identifies special service needs related to the Electric Utility. Defines requirements for protective devices on customer’s facilities; what categorizes “Interference with Service” and the customers’ responsibility to correct it; phase balancing; power factor corrections; service switch and meter testing devices; and requirements for special facilities.

Significant changes: Adds provision that plans for the installation of protective devices must be presented to CPAU for approval prior to installation. Adds provision that disconnect switch installations must comply with National Electric Code. Clarifies allowable limits of harmful waveforms coming from a customer’s service onto CPAU’s system. Clarifies that metering equipment must be located on the exterior of the customer’s building. Specifies that charges for special facilities will be paid in advance by the applicant.

Rule and Regulation 26: Fiber Optic Service Connections and Facilities on Customer’s Premises
Description: Sets forth requirements and service connection procedures for fiber optic service. Establishes customer and Utility responsibilities, as well as Utility ownership of the infrastructure.

Significant changes: Clarifies and expands on existing procedures within the fiber utility. Delineates ownership and responsibility for maintenance of service laterals. Designates what equipment shall be provided by CPAU and what shall be provided by the customer. Specifies
that all new fiber connections will be installed underground at the customer’s expense.

**Rule and Regulation 27: Generating Facility Interconnections**

- **Description:** Establishes the interconnection, operating, metering, application, and planning requirements for generating facilities to be connected to the CPAU electric distribution system.

  Significant changes: This is a new rule that allows for the incorporation and interconnection of generating facilities within the City of Palo Alto, modeled after existing rules and guidelines followed by the California Public Utilities Commission and the Institute of Electrical and Electronics Engineers. Although no such generating facilities currently exist within CPAU territory, this rule will provide consistency and marketability for future Utilities programs encouraging such installations.

**RESOURCE IMPACT**

The most significant resource impact is likely to be an increase in Water and Gas Fund revenues of approximately $40,000 and $1,000 annually due to the restriction of leak credits in Rule 11 – Billing, Adjustments, and Payment of Bills. Other proposed Rule revisions are not expected to have significant impact on Utilities revenues.

**POLICY IMPLICATIONS**

There are a number of Rule revisions which have policy implications. Rule 10 – Meter Reading institutes a firmer policy on reviewing customer’s meter reads. Rule 11 – Billing, Adjustments, and Payment of Bills proposes to limit leakage credits for water and gas as well as setting limits for the historical period in which a customer will be retroactively billed or refunded. Rule 17 – Conversion to Underground adds high priority re-pavement/overlay projects to first priority underground conversions, and adds provisions regarding who bears the cost of undergrounding streetlight, communications, and fiber optics facilities. Rule 27 – Generating Facility Interconnections institutes new policies and rules for the installation of cogeneration equipment in Palo Alto.

**ENVIRONMENTAL REVIEW**

The adoption of the resolution does not constitute a project under the California Environmental Air Quality Act; therefore, no environmental assessment is required.

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ATTACHMENTS

A. Resolution
B. Rule and Regulations 2 (Definitions and Abbreviations)
C. Rule and Regulation 3 (Description of Services)
D. Rule and Regulation 4 (Application for Service)
E. Rule and Regulation 5 (Contracts)
F. Rule and Regulation 9 (Discontinuance and Restoration of Service)
G. Rule and Regulation 10 (Meter Reading)
H. Rule and Regulation 11 (Billing, Adjustments, and Payment of Bills)
I. Rule and Regulation 13 (Shortage of Supply and Interruption of Delivery of Electricity, Gas, Water, and Fiber Optic Continuity)
J. Rule and Regulation 17 (Conversion to Underground)
K. Rule and Regulation 18 (Electrical Service Connections and Facilities on Customer’s Facilities)
L. Rule and Regulation 20 (Special Electric Utility Regulations)
M. Rule and Regulation 26 (Fiber Optic Service Connections and Facilities on Customer’s Premises)
N. Rule and Regulation 27 (Generating Facility Interconnections)