



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www. CityofSacramento.org

Consent
August 26, 2008

Honorable Mayor and
Members of the City Council

Title: Agreement: Sacramento Municipal Utilities District (SMUD) Electric Billing Error at E.A. Fairbairn Water Treatment Plant

Location/Council District: 7501 College Town Drive/Council District 3

Recommendation: Adopt a Resolution authorizing the City Manager to execute a Billing Settlement Agreement with SMUD, for additional payments to correct SMUD's electric service billing error at the E.A. Fairbairn Water Treatment Plant, in the amount of \$916,000.

Contact: Michael Yee, Utilities Department, Plant Services Division Manager, (916) 808-5670, Rick Matsuo, Utilities Department, Supervising Engineer, (916) 808-1728

Presenters: Not Applicable

Department: Utilities

Division: Plant Services

Organization No: 14001111

Description/Analysis

Issue: In 2007, the Sacramento Municipal Utilities District (SMUD) notified the Department of Utilities (DOU) of SMUD's discovery of an electric meter wiring connection error affecting one of two SMUD electric service meters at the City's E.A. Fairbairn Water Treatment Plant. SMUD has corrected their meter wiring mistake. As a result of this connection error, the City, through no fault of its own, was undercharged for electric service at the Fairbairn Plant. Although it is not known precisely when this began, staff has confirmed that the undercharges continued for more than 3 years, and probably occurred for a period of ten years or more. However, because SMUD's Rules and Regulations applicable to billing adjustments for metered billing errors limit the period of undercharge that SMUD may collect for to 3 years, SMUD has calculated an amount owed based upon a three-year period.

DOU and SMUD staff has negotiated a proposed billing settlement agreement that (1) allows the City to repay the undercharge amount of \$916,000 over a 3 year term, and

(2) provides an additional incentive amount for installation of self-generation solar photovoltaic panels at one or more of the City's DOU facilities.

Policy Considerations:

The undercharge attributable to SMUD's meter error at the Fairbairn Plant covered more than 3 years, but pursuant to the Rules and Regulations applicable to SMUD electric service, SMUD may collect undercharge amounts for a maximum 3 year period. This is the same time period specified by State law for a legal action to collect unbilled amounts.

Sustainability Considerations: The billing settlement agreement includes an element that promotes sustainability, by providing an additional incentive amount for installation of photovoltaic (PV) panels at one or more of the City's DOU facilities. This incentive includes an option to install up to a 100kW PV system and SMUD agrees to provide an incentive to the City of \$1.00 per each watt installed, up to a 100 kW maximum. This incentive is in addition to SMUD's standard PV incentive of \$2.20 per watt for a 100 kW PV system, for a combined total incentive of \$3.20 per watt. This is consistent with the goals of the City's Sustainability Master Plan to reduce the use of fossil fuels, improve energy efficiency, reduce carbon dioxide emissions, and help to meet air quality standards.

Solar photovoltaics are an excellent renewable resource that provides great benefit by offsetting commercial power requirements from SMUD.

Environmental Considerations: The Development Services Department, Environmental Planning Services Division has reviewed this project and determined that it is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15378 (b) (2) which consists of continuing administrative or maintenance activities do not constitute a project and therefore are exempt from CEQA review.

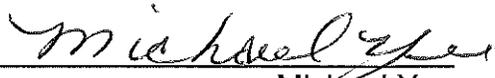
Commission/Committee Action: None

Rationale for Recommendation: Repayment of the undercharge in SMUD's electric billing is required by SMUD's Rules and Regulation governing its electric service billing.

Financial Considerations: The billing settlement agreement with SMUD requires the DOU to make a payment of \$916,000 over a 3 year term. The FY2008-09 Approved Budget included an augmentation of \$272,000 in the Water Fund to pay for the estimated annual SMUD back-bill; an additional \$33,333 is required per year for the annual payment of \$305,333. There is sufficient funding in the Water Fund to make the first year's payment.

Emerging Small Business Development (ESBD): Not Applicable

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Respectfully Submitted by: 
Michael Yee
Plant Services Division Manager

Approved by: 
Marty Hanneman
Interim Director of Utilities
Assistant City Manager

Recommendation Approved:

for 
Ray Kerridge
City Manager

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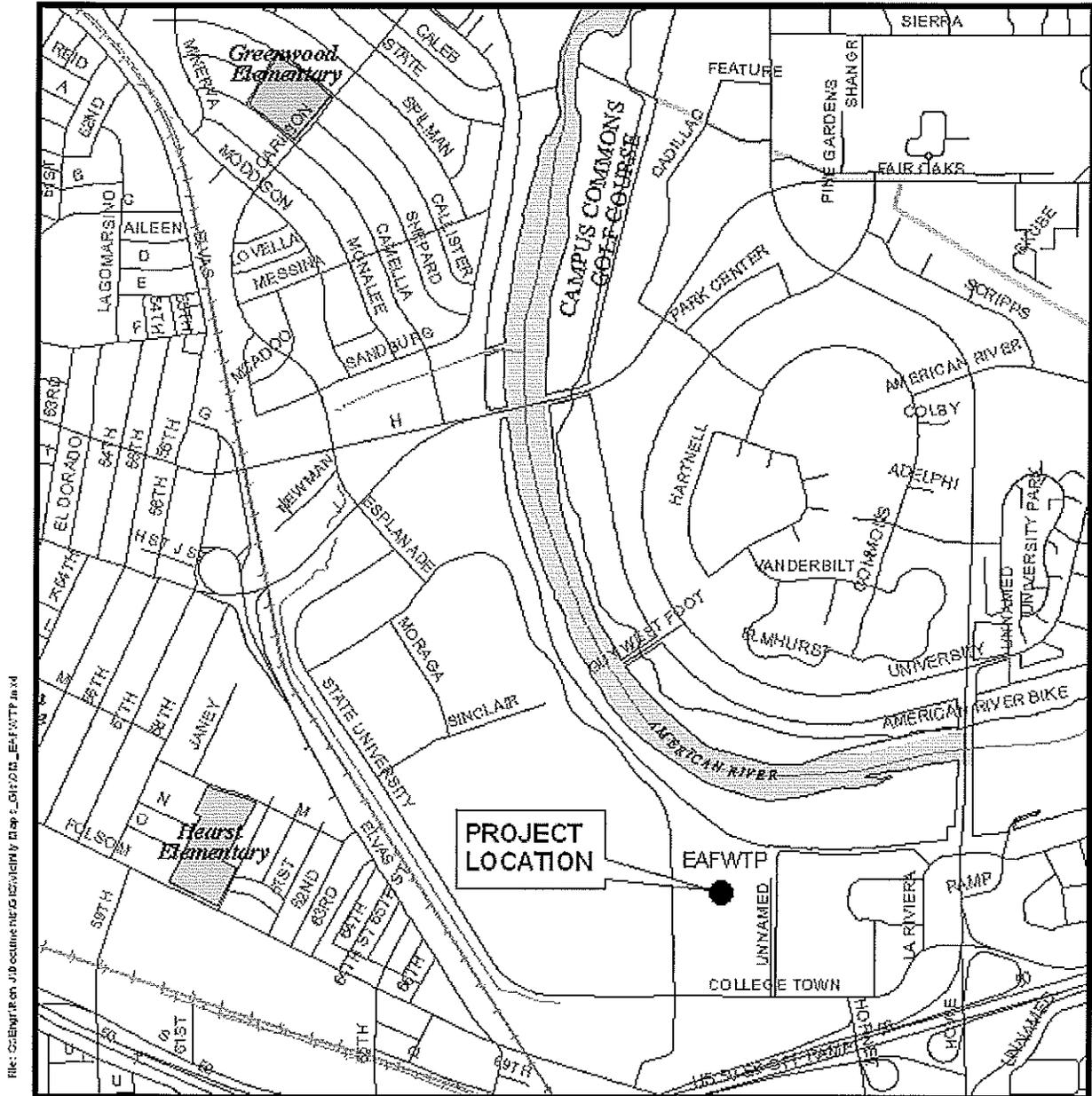
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ATTACHMENT 1

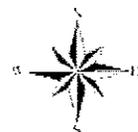
E. A. FAIRBAIRN WATER TREATMENT PLANT (EAFWTP)



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Map Prepared By
City of Sacramento
Department of Utilities



Attachment 2**Background**

In September 2006, the Department of Utilities (DOU) was informed by the Sacramento Municipal Utilities District (SMUD) that SMUD's "totalized" meter rate schedule option for the City's E.A. Fairbairn Water Treatment Plant was no longer being supported due to software and hardware issues. The totalized meter rate option is typically offered to customers that have more than one electric meter on contiguous sites whereby customers benefit from avoiding multiple service charges.

As a result, SMUD prepared a cost analysis to determine if their "campus" rate option (similar to the totalized option) would have comparable benefit to that of the "totalized" option. The results of the analysis showed a savings of approximately \$48,778 annually under their campus rate option. Realizing the potential savings, the DOU applied for the campus rate option that required meter replacement upgrades as well as dedicated communication lines.

As the meter upgrades were being completed, SMUD discovered that one of SMUD's two existing meters had been wired incorrectly, and the meter wiring error was corrected. To confirm the validity of the meter wiring error, DOU conducted its own field investigation with SMUD metering technicians. DOU requested that SMUD test, monitor, and record the energy consumed for both the incorrect and correct wiring configurations of the questionable meter. The test results indicated that SMUD's meter was in fact incorrectly wired, reading below the actual kilowatt-hours consumed, resulting in a monthly undercharge. Although the exact time period during which this occurred is unknown, it has been determined that this circumstance continued for more than 3 years, and likely continued for at least ten years.

Based on historical billing information, the monthly billing amounts with the meter wired incorrectly were determined to be far less than the amount billed after the meter wiring was corrected. Under SMUD's Rules and Regulations, the recovery of the billing undercharge for the consumed energy is based on a maximum 3-year back-billing period. To determine a fair amount owed, SMUD referenced the treatment plant's 3-year historical load profile, based on readings from the second meter, to calculate the difference. SMUD's calculation resulted in a 3 year undercharge amount of \$916,000.

DOU and SMUD staff have negotiated a proposed billing settlement agreement that (1) allows the City to repay the undercharge amount over a 3 year term, and (2) provides an additional incentive amount for installation of self-generation solar photovoltaic panels at one or more of the City's DOU facilities.

Attachment 3

RESOLUTION NO.

Adopted by the Sacramento City Council

Agreement for Billing Adjustment to Correct Sacramento Municipal Utilities District Billing Error at E.A. Fairbairn Water Treatment Plant

BACKGROUND

- A. In 2007, the Sacramento Municipal Utilities District (SMUD) notified the City of SMUD's discovery of an electric meter wiring connection error affecting one of two SMUD electric service meters at the City's E.A. Fairbairn Water Treatment Plant. As a result of this connection error, the City was undercharged for electric service at the Fairbairn Plant for a period of more than 3 years. Because SMUD's Rules and Regulations applicable to billing adjustments for metered billing errors limit the period of undercharge that SMUD may collect for to 3 years, SMUD has calculated an amount owed based upon a 3 year period.
- B. City and SMUD staff have negotiated a Billing Settlement Agreement that (1) allows the City to repay the undercharge amount of \$916,000 over a 3 year term, and (2) provides an additional incentive amount for installation of self-generation solar photovoltaic panels at one or more of the City's Department of Utilities facilities. There is sufficient funding in the Water Fund to make the annual payment.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager is authorized to execute a Billing Settlement Agreement with the Sacramento Municipal Utilities District, for additional payments to correct SMUD's electric service billing error at the E.A. Fairbairn Water Treatment Plant, in the amount of \$916,000.

