



City of Azusa

REQUEST FOR PROPOSALS

COST OF SERVICE STUDY for MUNICIPAL ELECTRIC UTILITY

October 29, 2009

Electric Utility Consultants:

Azusa Light & Water requests proposals on a Cost of Services Study to be performed for its electric utility. The attached document outlines the scope of work for the study and procedures for developing and submitting consultant proposals.

Proposals must be received by our offices at 729 N. Azusa Avenue, Azusa, California, 91702, by 5:00 p.m. on Monday, December 7, 2009.

If you have any questions about this request for proposals, please contact Cary Kalscheuer at (626) 812-5174 or by email at ckalscheuer@ci.azusa.ca.us or myself at (626) 812-5219 or by email at gmorrow@ci.azusa.ca.us.

Sincerely,

George Morrow
Director of Utilities

Attachments

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Introduction

The City of Azusa owns and operates a municipal utility. The Utilities department provides both electric and water utility services. This request for proposals (RFP) is for a cost of service study to be performed for Electric utility services.

Through this cost of service study, the City of Azusa is seeking a consultant to forecast a justifiable revenue requirement over the next five years, and make recommendations on the magnitude and frequency of rate adjustments necessary to meet the revenue requirement. The consultant is to review existing rates to ensure that they are allocating costs equitably and in proportion to the cost to serve the different customer classes, and/or, recommend changes consistent with industry standards and best practices.

In formulating recommended changes to the existing rate schedule, it is preferred that no substantial change in rates be made to one class of customers over the others.

Background

The City of Azusa has a population of 44,712 (2000 Census) and is located approximately 24 miles northeast of the City of Los Angeles in Los Angeles County.

The City's electric utility has about 22 fulltime staff, and includes an Engineering division, Power Resources division, and Distribution division. The current year operating budget is \$40.8 million, and revenues are forecasted to be \$36.5 million. The approved capital improvement budget is \$1.7 million. Although a recent rate adjustment was approved in amount of 9.3%, it is unclear whether this will be adequate to meet ongoing and long term needs.

Below table shows peak demand and total energy purchased through FY 2007-08.

Peak Demand and Total Energy Purchased

	Fiscal Year Ended June 30,				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Peak (MW).....	59.1	59.0	60.0	64.5	65.8
Power Resource (MWh):					
PVNGS	15,931	16,236	13,426	16,678	15,968
Hoover.....	4,558	3,608	4,480	4,414	4,324
Spot or Short Term.....	53,941	29,743	53,665	44,058	73,756
San Juan Unit 3	<u>208,200</u>	<u>223,811</u>	<u>204,052</u>	<u>216,217</u>	<u>187,806</u>
Total Purchased.....	282,630	273,398	275,623	281,367	281,854
Less Transmission Losses	16,958	16,404	16,537	16,882	16,897
Net Power Requirements.....	265,672	256,994	259,086	264,485	264,957
Purchased for Resale(1)	360,704	491,926	470,166	476,231	361,314

Source: City of Azusa. (1) Purchases for hedging and related load balancing functions. Below shows number of customers, sales, and demand based on customer class.

Customers, Sales, Revenues and Demand

	Fiscal Year Ended June 30,				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number of Customers:					
Residential	13,705	13,370	13,701	13,843	13,960
Commercial.....	1,454	1,457	1,393	1,420	1,421
Industrial	36	33	32	31	33
Other (Government).....	<u>251</u>	<u>249</u>	<u>232</u>	<u>237</u>	<u>236</u>
Total	15,446	15,529	15,358	15,531	15,650
Megawatt-Hour Sales:					
Residential	75,923	74,884	74,262	79,129	80,558
Commercial.....	71,877	76,166	75,200	78,838	77,326
Industrial	89,747	86,528	85,896	84,810	81,450
Public Street and Highway Lighting	<u>13,326</u>	<u>13,687</u>	<u>11,923</u>	<u>12,809</u>	<u>11,927</u>
Total Retail Energy Sales.....	250,873	251,265	238,036	255,586	251,261
Wholesale Sales to Other Utilities ⁽¹⁾	<u>360,704</u>	<u>491,926</u>	<u>470,166</u>	<u>476,231</u>	<u>361,314</u>
Total Energy Sales	611,577	743,191	717,447	731,817	612,575
Revenues from Sale of Energy (\$):					
Residential	8,468,729	9,803,365	8,609,422	9,202,227	10,070,000
Commercial.....	8,252,179	7,828,166	8,895,416	9,476,838	10,777,000
Industrial	8,827,261	7,579,703	8,611,799	8,379,482	8,481,000
Wholesale Sales to Other Utilities ⁽²⁾	11,413,514	9,816,606	10,306,241	5,371,196	5,666,000
Public Street & Highway Lighting & Other	<u>2,087,964</u>	<u>1,639,933</u>	<u>2,001,531</u>	<u>3,140,840</u>	<u>1,194,000</u>
Total Energy Sales	39,049,647	36,667,773	38,424,409	35,570,583	36,188,000

⁽¹⁾ Fluctuations in wholesale sales volume were due to changing market demand.

⁽²⁾ Fluctuations in wholesale sales revenue were due to changing market demand and price volatility.

Source: City of Azusa.

Scope of Work

Consultant shall perform a detailed cost and revenue analysis and determine what rate adjustments are necessary, if any, to maintain adequate revenues to cover expenses and meet reserve and debt service requirements.

A. Study Work Plan

- a. Using at least two fiscal years of audited detailed trial balance information, breakdown revenues and expenses into appropriate categories and create a 5-year forecast.
- b. Review existing policies governing: (1) transfers of interest income from electric fund to capital improvement fund; (2) electric fund reserves; and (3) debt-coverage ratio requirements.

- c. Using policy positions of city, formulate spreadsheets in proper format to measure compliance with existing policies based on revenue and expense forecasts with and without a rate adjustment.
- d. Determine level of retail rate adjustment, if any, necessary to meet revenue requirement and comply with noted policies over a 5-year period.
- e. Analyze changes in costs and revenues since last rate adjustment to explain and justify any changes to rates.
- f. Based on “cost of service” principles, review allocation of costs to rate payers based on existing rate schedule, and propose changes necessary to meet revenue requirements and comply with existing policies.
- g. It is desirable that consultant give special consideration to purchase power cost fluctuations as well as resale revenue variations, and provide AL&W with some options on how best to manage these variances on an annual or semi-annual basis, possibly through a purchase power cost rate adjustment mechanism.
- h. In formulating cost and revenue forecasts, consider fiscal impacts of following:
 - i. Purchase power transactions and offsetting wholesale revenue
 - ii. Renewable energy portfolio requirements, current status of compliance and future purchases as may be necessary
 - iii. Capital project spending requirements
 - iv. Compliance with debt coverage requirements
- i. Perform revenue tests to model and demonstrate accuracy of recommended rate adjustments using actual customer counts, meter types or sizes and consumption patterns--at least covering a full year of actual usage data during what might be considered a normal weather year.
- j. Proposed changes to rates or rate structure shall comply with all legal and regulatory requirements

B. Deliverables

Consultant will provide the AL&W with the following minimal deliverables:

Written Reports/Presentation

- a) Electronic copy of First Draft Report complete with Executive Summary, Background, Methodology, Analysis, Findings and Recommendations, and Proposed Rate Schedule.
- b) Electronic copy of Second Draft Report and proposed rate schedule, which reflects AL&W's comments and inputs on First Draft Report.
- c) Electronic copy and four (4) hardcopies of Final Report and proposed rate schedule, which reflects AL&W's comments and input on the Second Draft Report.

- d) Electronic file in Microsoft Excel of all spreadsheets, including revenue test model demonstrating that proposed rate changes will provide adequate revenue.
- e) Electronic file of presentation in Microsoft PowerPoint summarizing Final Report.

Qualifications of Proposers

AL&W requires information that demonstrates the technical capabilities and experience of proposers to undertake this study. Qualifications may include, but not be limited to, prior relevant experience in conducting cost-of-service studies for municipal electric utilities, and educational degrees and certificates in finance, accounting, or engineering.

Proposal Preparation and Format

Consultant's proposal shall be prepared by individuals qualified to fulfill the needs required by the scope of work for this RFP. Proposal contents shall be typed and arranged or presented in the following sequence to facilitate evaluation:

- Cover letter
- Company and staff/qualifications
- Work plan
- Data Request
- Scope exclusions/addenda
- Deliverables
- Study schedule
- Lump sum not-to-exceed fee
- Hourly rate schedule
- Other consultant commitments
- Other

Following include descriptions of each of these items.

1. Cover Letter

The cover letter should introduce the proposal, include not-to-exceed cost and indicate to whom all proposal communications should be addressed, including an e-mail address.

2. Company and Staff/Qualifications

This section should contain the following:

- a) Name of firm and mailing address, phone and fax number of the proposer's principal place of business.

- b) Mailing address, phone and fax number of the office in which the project team will work.
- c) Mailing address, staffing and degree of participation in study by any other firm or subcontractor.
- d) Overall company experience conducting electric utility cost-of-service studies and rate design studies.
- e) Listing of recent studies conducted by consultant that are of a similar nature to this RFP.
- f) References from at least four recent clients, including project managers' names, addresses and phone numbers, for which similar services have been provided in the last three years, preferably to municipal electric utilities, by consultant staff to be assigned to this project.
- g) Organization chart showing the names and positions of project manager and personnel to be assigned to this study.
- h) Estimate of the man-hours to be expended on the study, totaled for each staff member participating in this study, including staff from other firm(s) subcontracting with the Consultant.
- i) General resumes, and relevant experience of the project manager and key staff. These should clearly demonstrate Consultant's qualifications to perform project required tasks.

3. Work Plan

This section should give an introduction and overview of the study approach, list general objectives, develop a work plan by breaking down the study into specific tasks or work elements clearly associated with the scope of work included in this RFP, and explain the methodology to be used to complete each task.

The plan must clearly show how the consultant will assess the various costs to be factored into this study and how they will be allocated to the different customer classes. Also, the work plan shall include elements that show how the consultant will approach cost/revenue forecast, sensitivity analysis and rate design. It is preferred that an annual or semi-annual adjustment mechanism be developed as part of this study to account for annual or semi-annual variations in purchase power cost and fluctuations in wholesale revenues.

Work plan shall indicate all meetings to be held at AL&W, who will be participating from the proposer's side, and what information proposer expects AL&W to provide (See Data Request).

4. Data Request

This section of the proposal shall itemize all data the Proposer expects AL&W to provide in conducting this cost of service study. This section shall provide a summary of all data required by the consultant and options for data in the event that AL&W is not able to provide the requested materials.

5. Scope Exclusions/Addenda

In reviewing this RFP, the Consultant may encounter tasks, which, in the opinion of the Consultant, may be unnecessary, or, may have been omitted. At the Consultant's discretion, Consultant may identify these tasks, and include any tasks that are deemed necessary by the Consultant, but are not required by this RFP.

6. Deliverables

Deliverables are material products such as draft spreadsheets, draft reports, final reports, including proposed rate schedule changes. This section shall contain a list of all proposed deliverables as required by this RFP, and list any changes to the deliverables as the Consultant may recommend.

7. Study Schedule

AL&W prefers that this study be completed within three to four months following issuance of a notice to proceed, subject to extension based on mutual agreement. Consultant shall provide a study schedule that the Consultant believes is most appropriate to complete the scope of work for this study within this timeframe. The schedule for each task and timing of each deliverable should be based upon the number of calendar days or weeks needed to complete the study.

8. Lump Sum Not-To-Exceed Fee

Consultant shall provide in a table format, the cost for each task, including a listing of the personnel assigned to each task, hourly rates, and the number of hours each position is budgeted for each task. This table shall include a lump-sum, not-to-exceed total cost for this study.

9. Fee Schedule/Hourly Rates

A schedule of hourly rates shall be included for all personnel classifications that will be utilized in this study by Consultant.

10. Other Client Commitments

Consultant shall list other clients that are currently being served by consultant, including pending or anticipated clients that will be served, with staff that Consultant anticipates using

to fulfill its obligation to AL&W under this RFP. Consultant shall further attest to the availability of key staff to fulfill the needs of this study in a professional and timely manner.

11. Other

This section should contain any additional information the consultant may feel will strengthen the proposal or be of interest to AL&W.

General Instructions to Proposers

1. AL&W's Points of Contact

Upon release of this RFP, proposer communications concerning this process must be directed to either of AL&W's points of contact for this RFP:

George Morrow
Director of Utilities
Tel. (626) 812-5219
gmorrow@ci.azusa.ca.us

OR

Cary Kalscheuer
Assistant to the Director of Utilities
Tel. (626) 812-5174
ckalscheuer@ci.azusa.ca.us

Address:
Azusa Light & Water
729 N. Azusa Ave.
Azusa, CA 91702

2. Proposer Requests and Questions

Specific Consultant requests and questions concerning this RFP shall be submitted in writing to either RFP Point of Contact prior to 5:00 p.m. on Monday, November 16, 2009. AL&W will make every attempt to send copies of all questions and AL&W's responses, if any, to all Consultants of record that have requested or received this RFP.

3. Pre-Proposal Meeting

Given the standard nature of this study, no Pre-Proposal meeting is scheduled for this RFP process.

4. RFP Revisions

Revisions to the RFP, if any, will be issued by AL&W's point of contact to all consultants of record who have received this RFP.

5. Submittal Address and Deadline

Five originals of the respondent's proposal in its entirety must be received by Azusa Light & Water no later than 5:00 p.m. on Monday, December 7, 2009, at the following address:

Cary Kalscheuer
Assistant to the Director of Utilities
729 N. Azusa Avenue
Azusa, CA 91702

6. Terms of Withdrawal

All proposals shall be firm offers and may not be withdrawn for a period of ninety (90) days following the deadline dated for submission of proposals noted herein.

7. Disposition of Proposals

All proposals submitted to AL&W in response to this RFP will become the property of AL&W and will not be returned. All expenses incurred in preparing and submitting proposals shall be at the sole cost and expense of the Consultant. AL&W reserves the right to reject any and all proposals submitted in response to this RFP.

Consultant Selection Process

Selection of a consultant will be based on evaluation of consultants' qualifications, work plan, references, and cost proposal. The follow criteria may be considered by AL&W in evaluating proposals:

- a) Technical skills necessary to prepare the study as demonstrated by the completion of previous similar studies for public utilities.
- b) Current and past experience in providing cost-of-service studies for electric utilities, including recommendations that resulted in actual changes to rate schedules.
- c) Knowledge of city government organization and the services cities provide.
- d) Creativity and experience in conducting cost-of-service studies using industry standard practices.
- e) Clear and concise work plan that is comprehensive and details the methodology to be used in fulfilling the needs of this study.
- f) Reasonable and well-benchmarked fee compensation schedule.
- g) Carefully proposed study schedule that factors in all necessary tasks and deliverables.
- h) Adequate staffing to meet the study schedule milestones and deadlines for deliverables of AL&W, and workload of other clients

While “low cost proposals” will be considered, AL&W will favor firms whose proposals appear to offer complete “scopes of work,” which will not require change orders or scope changes later.

Proposal Approval and Agreement Execution

The successful consultant will be required to enter into a professional services agreement with AL&W which incorporates by reference the negotiated Work Statement and its payment schedule. The following summarize the anticipated approval process and requirements for issuance of notice to proceed:

1. Utility Board/City Council Approval

It is the intent of the City to award a contract within 60 days after the opening of proposals by approval of the professional services agreement and attached Work Statement. The City Council may reject any and all proposals or may waive irregularities or informalities in any proposal if it is in the public’s best interest. After award of contract, the City Clerk will forward the professional services agreement in triplicate to the consultant for signature.

2. Consultant Obtain Insurance

The consultant shall provide to AL&W the worker’s compensation, comprehensive general and automobile liability, and the professional liability insurance coverages, endorsements and certifications specified in the attached sample contract. This insurance shall also be obtained by any sub-consultant retained by the consultant.

3. Consultant Execute Contract

The contract agreement shall be signed by the consultant in triplicate and two originals shall be returned, together with the insurance, within 15 calendar days from the date of receipt of notice of award. No contract shall be binding upon the City until completely executed by the consultant and the City and approved by the City Attorney. Failure to execute the contract agreement and file acceptable insurance within the time limit may be just cause for annulment of the award.

4. Notice to Proceed

Within fifteen (15) calendar days of receipt of agreement from Consultant, AL&W shall issue a notice to proceed to the Consultant.

E-2.



AGENDA ITEM

TO: HONORABLE CHAIRPERSON AND MEMBERS OF THE AZUSA UTILITY BOARD

FROM: GEORGE F. MORROW, DIRECTOR OF UTILITIES *GM*

DATE: OCTOBER 26, 2009

SUBJECT: ELECTRIC FUND FINANCIAL REVIEW AND RATE ADJUSTMENT

RECOMMENDATION

It is recommended that the Azusa Utility Board:

1. Approve attached resolution implementing a 9.3% increase across-the-board in electric rates effective December 1, 2009.
2. Approve electric utility cost of service study scope of work and authorize staff to solicit proposals from qualified consultants.

BACKGROUND

The FY 2009-10 electric utility operating budget included a deficit of about \$6.2 million when it was submitted back in March 2009. Former staff overseeing the electric fund reported at the time that it would be necessary to adjust Electric rates during FY 2009-10. In light of these circumstances, a preliminary financial review of the electric fund was recently completed. Initial findings indicate that consideration of a rate adjustment of 9.3% is necessary to comply with minimum debt coverage requirements of installment sales agreements approved in 2003. Staff's financial review not only examined the debt-coverage requirements, but also the ability of the electric fund to meet minimum reserve levels previously set by the Utility Board and to generate a positive net income. Each of these is discussed below in more detail.

Minimum Debt Coverage Test

Section Ten of Exhibit D of Series B and C Installment Sales Agreements requires Electric Fund Net Revenues from Rates and Service Charges to be no less than 1.10 times the amount

App'd
UB *10/26/09*
081

necessary to pay debt service on the 2003 COPs. This Net Revenue is similar to what is shown in City's CAFR, however, it is typically adjusted for Depreciation and transfers to the City. Combined debt service, i.e., principal and interest, on Series B and C COP obligations is as follows:

Projected 09-10	Projected 10-11	Projected 11-12	Projected 12-13	Projected 13-14
\$947,783	\$948,614	\$948,151	\$946,397	\$943,349

Franchise Fees and In-Lieu Fees are excluded as expenses for purposes of calculating the Debt-Coverage Test. However, even when these "expenses" are not counted, it appears the Debt-Coverage Test would not be met if approved appropriations are expended during this fiscal year and projected revenue is received.

In order to meet the debt coverage obligation for FY 2009-10, net cash available for debt service needs to be \$1,042,561. Since current forecast is (\$580,522), rates would need to be set so that \$1,623,083 of additional revenue would be realized by June 30, 2010. In order to meet this requirement over a 7 month period, an increase of 9.3% would be required.

While meeting the reserve requirement would require a larger increase, it is recommended that a study be conducted once the audited financial statements are available for FY 2008-09, to determine with greater certainty what level of increase is necessary to fulfill the reserve policy.

Minimum Reserve Fund Test

On July 28, 2008, the Utility Board adopted an Electric Fund reserve policy which set minimum reserves to \$20.27 million. The following Comprehensive Annual Financial Report (CAFR) line items on "Statement of Net Assets" are considered as constituting the Electric Fund Reserve:

<u>FY 2007-08 – CAFR</u>	<u>Amount</u>
Cash and Investments	\$12,044,796
Due from Other Funds	5,300,000
Rate Stabilization Fund	<u>9,140,416</u>
Total:	\$26,485,212

The amount included in above for "Due from Other Funds" is a short term loan to redevelopment agency. The rate stabilization fund noted above was set up pursuant to Resolution No. 97-C5 and Azusa Municipal Code Section 78-40.

Since the reserve forecast is based on cash flow, the attached "Reserve Test" spreadsheet excludes depreciation and includes estimated capital improvement expenditures as well as principal on outstanding debt. Principal on long term debt during FY 2009-10 will be \$455,000 according to the Installment Sales Agreement dated August 1, 2003, on Series C Certificates of

Participation. The Capital Improvement Program (CIP) budget for FY 2009-10 is about \$1.7 million. Since there is no net income beginning in FY 2008-09, the Reserve Test spreadsheet assumes that there will be no transfer out of interest income. (See below discussion of Net Income Test.)

Based on preliminary accounting information for FY 2008-09, it appears that the Electric fund will have about \$25 million in reserves which will meet the reserve policy requirement for that year. For FY 2009-10, however, the electric reserve is projected to be \$18.8 million in attached by fiscal year end (see attached Reserve Test spreadsheet) which is short of reserve requirement by about \$1.4 million. Since the change in cash by fiscal year end (-\$6.2 million) is expected to continue in to future years, the reserve is projected to further erode going forward.

Net Income Test

The long-term sustainability of any business operation is dependent on its ability to match revenues and expenses in order to generate positive net income. For the City, this test is especially important given Resolution No. 04-C37 (adopted by the Utility Board on May 24, 2004) which provides that the interest income of the electric fund to be transferred annually into a capital improvement fund for general City purposes. This "transfer out", however, is contingent upon the Electric fund having "positive net income".

To assess whether the electric fund will have positive net income, an income statement was prepared to show both historical information and what might be expected this year and next.

Revenue for the Electric fund includes retail sales, wholesale revenue, miscellaneous revenue, San Juan Fuel Cost Adjustment (FCA), and interest income. Total revenue for FY 2009-10 is expected to be \$36.5 million. Expenses include all purchased power costs, transmission and dispatching, operations and maintenance, including engineering, and administrative, customer service and overhead costs. Since this is an Income Statement, the principal on outstanding debt and capital improvement expenditures are not considered, however, is depreciation included along with interest expense on debt as well as franchise and in-lieu fee expenses. Total expenses for FY 2009-10 are expected to be about \$41.6 million. This results in a projected negative net income for electric of \$5.1 million for this year.

The result of this negative net income would preclude the transfer of interest income to the City for capital improvements, which has typically been about \$1 million annually in recent years and is projected to be about \$650,000 for FY2009-10.

Discussion:

As noted above, the electric fund's debt service coverage for FY 2009-10 is not expected to meet the required 1.10 level without a revenue increase of about \$1.6 million (or 9.3% if implemented on December 1, 2009). Such a rate adjustment is projected to enable the electric fund to meet

Board established minimum reserve level for FY 2009-10 but the electric fund is projected to operate in the "red" from a cash flow standpoint by about \$4.6 million for this fiscal year and by over \$3 million a year going forward.

Staff believes an additional rate adjustment may be necessary in the 5 to 15 percent range for Fiscal Year 2010-11 to enable minimum cash reserve levels to be met for future years. Further review of the timing, magnitude and applicable rate classification(s) of this increase is proposed to be evaluated further by staff and a third party consultant over the next few months.

FISCAL IMPACT

A 9.3% increase in retail rates would amount to about \$1.6 million in additional revenue by fiscal year end, and about \$3 million annually thereafter. According to the California Municipal Rates Group (CMRG), Azusa's Residential rate was \$0.1201 per kWh as of May 2009. A 9.3% adjustment would increase the rate to \$0.1313 per kWh. Below shows rate comparison of current Residential Rates and how Azusa's rate would compare if increased by 9.3%:

Utility	Res \$/kWh
Santa Clara	0.0900
Redding	0.1025
SMUD	0.1033
Palo Alto	0.1151
LADWP	0.1159
Roseville	0.1199
Azusa	0.1201
Anaheim	0.1221
Lompoc	0.1227
Alameda	0.1250
Burbank	0.1307
Azusa +9.3%	0.1313
IID	0.1341
Turlock ID	0.1455
Pasadena	0.1504
Riverside	0.1583
Merced ID	0.1598
MID	0.1626
Glendale	0.1702
Lodi	0.1770
PG&E	0.1764
SDG&E	0.1815
SCE	0.1893
R.Cucamonga	-
State Avg	-

Expected 2009 Average Residential Rate In \$/KWh
Last Update: May 5, 2009

SCE	0.189
SDG&E	0.181
PG&E	0.176
Lodi	0.177
Glendale	0.170
MID	0.163
Merced ID	0.160
Riverside	0.158
Pasadena	0.150
Turlock ID	0.146
IID	0.134
Azusa +9.3%	0.131
Burbank	0.131
Alameda	0.125
Lompoc	0.123
Anaheim	0.122
Azusa	0.120
Roseville	0.120
LADWP	0.116
Palo Alto	0.115
SMUD	0.103
Redding	0.103
Santa Clara	0.090

Azusa	
Current	9.3%
0.1201	0.1313

May 5, 2009

Today, an average Azusa residential electric customer using 481 kilowatt-hours per month pays \$57.95. The proposed 9.3% rate increase would raise the monthly bill by \$5.39 per month or \$64.68 per year. This equates to \$0.1317 per kWh.

According to CMRG, Azusa's Commercial rate was \$0.1243 per kWh as of May 2009. A 9.3% increase would increase the rate to \$0.1359 per kWh. Below shows rate comparison of current Commercial Rates and how Azusa's rate would compare if increased by 9.3%:

Utility	Comm. \$/kWh
Redding	0.1012
SMUD	0.1017
Roseville	0.1086
Palo Alto	0.1092
LADWP	0.1186
Anaheim	0.1227
Azusa	0.1243
IID	0.1267
Turlock ID	0.1290
Alameda	0.1290
MID	0.1296
Santa Clara	0.1320
Burbank	0.1345
Azusa +9.3%	0.1359
Lompoc	0.1373
Pasadena	0.1376
Merced ID	0.1477
Lodi	0.1620
Riverside	0.1641
Glendale	0.1763
PG&E	0.1583
SCE	0.1730
SDG&E	0.1848
R.Cucamonga	-
State Avg	-

Expected 2009 Average Commercial Rate In \$/KWh
Last Update: May 5, 2009

SDG&E	0.185
SCE	0.173
PG&E	0.158
Glendale	0.176
Riverside	0.164
Lodi	0.162
Merced ID	0.148
Pasadena	0.138
Lompoc	0.137
Azusa +9.3%	0.136
Burbank	0.135
Santa Clara	0.132
MID	0.130
Alameda	0.129
Turlock ID	0.129
IID	0.129
Azusa	0.124
Anaheim	0.123
LADWP	0.119
Palo Alto	0.109
Roseville	0.107
SMUD	0.102

Azusa	
Current	9.3%
0.1243	0.1359

May 5, 2009

The fiscal impact of the third party consultant study would be determined following receipt of proposals in response to our RFP.

Prepared by:

George Morrow, Director of Utilities
Cary Kalscheuer, Assistant to the Director of Utilities

Attachments

1. Resolution Approving 9.3% Rate Adjustment
2. Spreadsheet of Debt-Coverage Test
3. Spreadsheet of Reserve Policy Test
4. Spreadsheet of Transfer Policy Test
5. Scope of Work for Cost of Service Study

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF AZUSA, CALIFORNIA, TO ADOPT NEW ELECTRIC
RATES EFFECTIVE DECEMBER 1, 2009.

WHEREAS, in August 2003, the City issued Certificates of Participation (COP) through Financing Authority for Resource Efficiency of California (FARECal) in the amount of \$11,995,000 to finance the development of the Kirkwall Substation and other Electric Utility Infrastructure; and

WHEREAS, Section Ten of Exhibit D of Series B and C Installment Sales Agreements requires Electric Fund Net Revenues from Rates and Service Charges to be 1.10 times the amount necessary to pay debt service on the 2003 COPs; and

WHEREAS, it is estimated that without a rate adjustment during fiscal year 2009-2010, the debt-coverage ratio will be (0.61), which will be insufficient to comply with the Installment Sales Agreements entered into by the City in 2003; and

WHEREAS, it is estimated that \$1,623,000 in additional revenue will be required to meet the debt-coverage requirement of 1.10 by June 30, 2010; and

WHEREAS, in order to increase the Electric Fund's revenue by \$1,623,000 by June 30, 2010, a rate adjustment of 9.3% is necessary to be effective by December 1, 2009; and

WHEREAS, the cost of service study conducted in 2007 determined that current rates allocate costs to customers in proportion to the cost of serving the respective customer classes and so an "across-the-board" application of the rate adjustment is appropriate;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF AZUSA DOES HEREBY
RESOLVE AS FOLLOWS:

SECTION 1. Adoption of Electric Rate Schedule. That the electric rate schedule implementing an "across-the-board" 9.3% increase attached hereto and incorporated as Exhibit A is hereby adopted and that the new electric rates shall be effective for all utility bills mailed to customers on and after December 1, 2009.

SECTION 2. Effective Date. This Resolution shall become effective upon its adoption.

SECTION 3. Authorization. The Mayor shall sign and the City Clerk shall certify to the passage and adoption of this Resolution.

PASSED, APPROVED AND ADOPTED THIS 26th day of October, 2009.

Joseph Rocha, Mayor

ATTEST:

Vera Mendoza, City Clerk

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.
CITY OF AZUSA)

I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the Utility Board/City Council of the City of Azusa at a regular meeting of the Azusa Light & Water Utility Board on the 26th day of October, 2009.

AYES: COUNCILMEMBERS:
NOES: COUNCILMEMBERS:
ABSENT: COUNCILMEMBERS:

Vera Mendoza, City Clerk

EXHIBIT A
ELECTRIC RATE SCHEDULES
SCHEDULE D
RESIDENTIAL SERVICE

Applicability:

This schedule is applicable to domestic service including lighting, heating, cooking, and power or combination thereof in a single-family accommodation.

Territory:

Within the electric service territory of the City of Azusa.

Rate:

Minimum Charge: per meter per month ~~\$3.49~~ 3.81

Energy Charge:

First 250 kWh, per kWh	10.61 -11.60¢
All excess kWh, per kWh	13.60 -14.87¢

Special Conditions:

1. The above rates are subject to fuel cost adjustment.
2. A State Surcharge Tax may be added to the above rates.
3. A State Public Benefit Program Charge may be added to the above rates.

SCHEDULE WH/SH

RESIDENTIAL SERVICE FOR WATER AND/OR SPACE HEATING

Applicability:

This schedule is applicable to domestic use of electricity as sole source of energy, other than solar for water and/or space heating. It is supplemental to Schedule D.

Territory:

Within the electric service territory of the City of Azusa.

Rate:

Minimum Charge: per meter per month	\$3.49 3.81
Energy Charge:	
First 250 kWh, per kWh	10.61 —11.60¢
Allowance for water heating, per month 250 kWh, per kWh	10.61 —11.60¢
Allowance for space heating, per month* 550 kWh, per kWh	10.61 —11.60¢
All excess kWh, per kWh	13.60 —14.87¢

*From November 1 to April 30

Special Conditions:

1. The above rates are subject to fuel cost adjustment.
2. A State Surcharge Tax may be added to the above rate.
3. Residence requesting discount rate shall be verified by City employee of its heating equipment on premises.

SCHEDULE RL

RESIDENTIAL SERVICE WITH LIFE-SUPPORT DEVICES

This schedule is applicable to residential use of electricity for life-support devices in addition to lighting, heating, cooking and power or combination thereof in a single-family accommodation.

Territory:

Within the electric service territory of the City of Azusa

Rate:

Minimum Charge: per meter per month	\$3.49—3.81
Energy Charge:	
First 250 kWh, per kWh	10.61 —11.60¢
Additional allowance for Life Support Device, per month	10.61 —11.60¢
All excess kWh, per kWh	13.60 —14.87¢

Special Conditions:

1. Each eligible residential customer may be allowed an additional lifeline quantity of electricity, upon application to the utility where such customer provides certification that full-time resident of the household regularly requires the use of an essential life-support device which is defined below including heating and/or cooling as medically required for listed serious illnesses:

Aerosol Tents	IPPB Machines	Pressure Pumps
Compressors	Iron Lungs	Quadriplegia
Compromising Immune System Illnesses	Life-threatening Illnesses	Respirators (all types)
Hemodialysis Machines	Motorized Wheelchairs	Scleroderma
Electrostatic Nebulizers	Multiple Sclerosis	Suction Machines
Electric Nerve Stimulators	Paraplegia	Ultrasonic Nebulizers
	Pressure Pads	

Procedure for Certification:

The Utility may require that:

- a. The customer have a medical doctor or osteopath licensed to practice medicine in the State of California provide the Utility with a letter, acceptable to the Utility, describing the type of regularly required life-support device and the utilization requirement in detail; or
- b. County, State or Federal agencies, using an established notification letter to electric utilities, provide the Utility with information relative to patients who regularly require the use of a life-support device in the house.

Upon the above certification, the Utility shall estimate the monthly consumption of the particular life-support device, given the usual hours of operations per month, and within 30 days add the incremental estimated monthly usage to the customer's lifeline quantity. The Utility may require a new or renewed application and/or certification, when needed in the opinion of the Utility.

2. Verification: Not more than one lifeline quantity will be allowed for each single-family dwelling or accommodation on the premises. However, where there are multiple life-support devices at such single-family dwelling or accommodation, all such devices shall be totaled for one lifeline quantity. The number of single-family accommodations on the premises and the existence of the specified end use equipment required to obtain certain lifeline quantities of electricity, as set forth on the applicable rate schedules are subject to verification by the Utility.
3. Termination of Use: Customers shall give the Utility notice of termination of use of equipment or devices. In the event the Utility ascertains that the customer is not eligible for such additional lifeline quantity, such customer may be re-billed as if no such additional lifeline quantity had been allowed.
4. The above rates are subject to fuel cost adjustment.
5. A State Surcharge Tax may be added to the above rates.

SCHEDULE G
GENERAL SERVICE

Applicability:

Applicable to single and three-phase general service including lighting and power.

Territory:

Within the electric service territory of the City of Azusa.

Rate G-1:

Customer Charge: per meter per month	\$ 6.37 —6.96
Energy Charge (to be added to customer charge)	
First 500 kWh, per kWh	15.92 —17.40¢
All excess kWh, per kWh	13.05 —14.26¢

Minimum Charge:

The monthly minimum charge shall be the monthly customer charge.

Rate G-2:

Demand Charge:	
First 20 KW or less of billing demand	No Charge
Additional KW of billing demand, per KW	\$7.68 —8.39
Energy Charge:	
First 500 kWh, per kWh	15.99 —17.48¢
Next 4,500 kWh, per kWh	14.08 —15.39¢
Additional kWh, per kWh	8.69 —9.50¢

Minimum Charge:

The monthly minimum charge shall be \$~~167.81~~~~153.53~~ if the energy charge is less than \$~~167.81~~~~153.53~~.

Special Conditions:

1. Service will be supplied at one standard voltage through one meter.
2. Rate G-2 is applicable when a demand meter is installed in accordance with Condition 3.
3. A maximum demand meter will be installed when, in the opinion of the Utility, the customer's load and use characteristics indicate that the maximum demand may exceed 20 KW or when the customer requests a demand rate.
4. The billing demand of the month shall be the maximum kilowatt measured in the 15-minute interval in that month, but not less than 50% of the highest demand established in the preceding 11 months. Billing demand shall be determined to the nearest 1/10 KW.
5. When the use of energy is seasonal or intermittent, no adjustment will be made for a temporary discontinuance of service. Any customer, prior to resuming service within 12 months after such service was discontinued, will be required to pay all charges which would have been billed if service had not been discontinued.
6. The above rates are subject to fuel cost adjustments.
7. A State Surcharge Tax may be added to the above rates.

SCHEDULE GL
LARGE GENERAL SERVICE

Applicability:

Applicable to single and three-phase general service including lighting and power. This schedule is mandatory for all customers whose monthly maximum demand has exceeded 200 KW for any 3 months during the preceding 12 months and whose average demand for the preceding 12 months also exceeds 200 KW. Any customer whose monthly maximum demand has fallen below 200 KW for any 3 months during the preceding 12 months and whose average demand for the preceding 12 months also is less than 200 KW may be required to take service on Schedule G-2.

Territory:

Within the electric service territory of the City of Azusa.

Rate:

(Identical to Rate G-2 with the exception of minimum charge and power factor adjustment.)

Minimum Charge: The monthly minimum charge shall be the monthly demand charge or \$167.81~~153.53~~, whichever is greater.

Special Conditions:

1. Service will be supplied at one standard voltage through one meter.
2. Billing Demand: The billing demand in any month shall be the average kilowatt input indicated or recorded by instruments to be supplied, owned and maintained by the utility and at the Utility's expense upon the consumer's premises adjacent to the watt-hour meter, in the 15-minute interval in which the consumption of electric energy is greater than in any other 15-minute interval in the month, but not less than 50% of the highest billing demand in the preceding 11 months. Billing demand shall be determined to the nearest KW. Whenever the measured maximum demand has exceeded 400 KW for 3 consecutive months and thereafter until it has fallen below 300 KW for 12 consecutive months, a 30-minute interval will be used. Where the demand is intermittent or subjected to violent fluctuations, the maximum demand may be based on a shorter interval.

Schedule GL (continued)

3. Power Factor Adjustment: When the billing demand has exceeded 200 KW for 3 consecutive months, a kilovar-hour meter will be installed as soon as practicable. The charges will be increased for each KVAR in excess of 60% of the billing demand in the amount of 5046¢ per KVAR.

The kilovars of reactive demand shall be calculated by multiplying the kilowatts of measured maximum demand by the ratio of the kilovar-hours to the kilowatt-hours. Demands in kilowatts and kilovars shall be determined to the nearest 1/10 (0.1) unit. A ratchet device will be installed on the kilovar-hour meter to prevent its reverse operations on leading power factors.

4. Voltage Discount: The charges before power factor and fuel cost adjustments will be reduced by 4% for service delivered and metered at 12 KV.
5. Temporary Discontinuance of Service: When the use of energy is seasonal or intermittent, no adjustments will be made for a temporary discontinuance of service. Any customer prior to resuming service within 12 months after such service was discontinued will be required to pay all charges which would have been billed if service had not been discontinued.
6. The above rates are subject to fuel cost adjustments.
7. A State Surcharge Tax may be added to the above rates.

SCHEDULE TOU

TIME-OF-USE General Service Demand Metered

Applicability:

Applicable to single and three-phase general service, including lighting and power. This schedule is mandatory for all customers whose monthly maximum demand has exceeded 200 KW for any 3 months during the preceding 12 months and whose average demand for the preceding 12 months also exceeds 200 KW. Any customer whose monthly maximum demand has fallen below 200 KW for any 3 months during the preceding 12 months and whose average demand for the preceding 12 months also is less than 200 KW may be required to take service on Schedule G-2.

Territory:

Within the electric service territory of the City of Azusa.

Rates:

Per Meter per Month

	<u>Summer</u>	<u>Winter</u>
Customer Charge:	\$38.56 42.15	\$38.56 42.15

Demand Charge

All kW of Maximum Demand, per KW (Non-time Related Component)	4.12 4.50	4.12 4.50
Time Related Component (To be added to Non-time Related Component)		
All KW of on-peak maximum demand per KW	6.87 7.51	n/a
Plus all KW of mid-peak maximum demand, per KW	1.20 1.31	0.94 1.03
Plus all KW of off-peak Maximum Demand, per KW	0.00	0.00

Energy Charge

All on-peak kWh, per kWh	\$ 0.14140 0.15455	n/a
All mid-peak kWh, per kWh	\$0.09642	0.10928
All mid-peak kWh, per kWh	\$0.10439	0.11944
All off-peak kWh, per kWh	\$ 0.06428	0.06428
All off-peak kWh, per kWh	\$ 0.07026	0.07026

Charges for energy are calculated for customer billing using the components shown below.

EFFECTIVE 12/01/2009

Electric Rate Schedule - 11

Special Conditions:

1. Time period are defined as follows:

On-peak: Noon to 6:00 p.m. summer weekdays except holidays.

Mid-peak: 8:00 a.m. to noon and 6:00 p.m. to 11:00 p.m. summer weekdays except holidays, and 8:00 a.m. to 9:00 p.m. winter weekdays except holidays.

Off-peak: All other hours.

Off-peak holidays are New Year's Day, (January 1) Washington's Birthday (third Monday in February), Memorial day (last Monday in May), Independence Day (July 4), Labor Day (first Monday in September), Veterans' Day (November 11), Thanksgiving Day (fourth Thursday in November) and Christmas Day (December 25).

The summer season shall commence at 12:00 a.m. on the first Sunday in June and continue until 12:00 a.m. of the first Sunday in October of each year. The winter season shall commence at 12:00 a.m. on the first Sunday in October of each year and continue until 12:00 a.m. of the first Sunday in June of the following year.

2. Voltage: Service will be supplied at one standard voltage.
3. Maximum Demand: Maximum demands shall be established for the on-peak, mid-peak, and off-peak periods. The maximum demand for each period shall be the measured maximum average KW-input indicated or recorded by instruments to be supplied by the City, during any 15-minute metered interval.
4. Billing Demand: The demand charge shall include the following billing components: The time related components shall be for the kW of maximum demand recorded during the monthly billing period for each of the on-peak, mid and off-peak time periods.
5. Power Factor Adjustment: When the billing demand has exceeded 200 KW for 3 consecutive months, a kVAR-hour meter will be installed as soon as practicable. The charges will be increased for each kVAR in excess of 48.4% of the billing demand in the amount of 5046¢ per kVAR.

The kVAR of reactive demand shall be calculated by multiplying the KW of measure maximum demand by the ratio of the kVAR-hours to the kW-hours. Demands in KW and kVAR shall be determined to the nearest 1/10 (0.1) unit. A ratchet device will be installed on the KVAR-hour meter to prevent its reverse operation on leading power factors.

TOU Rate (continued)

6. Voltage Discount: The charges before power factor and fuel cost adjustments will be reduced by 4% for service delivered and metered at 12 kVAR.
7. Temporary Discontinuance of Service: When the use of energy is seasonal or intermittent, no adjustments will be made for a temporary discontinuance of service. Any customer prior to resuming within 12 months after such service was discontinued will be required to pay all charges which would have been billed if service had not been discontinued.
8. The above rates are subject to fuel cost adjustment.
9. A State surcharge tax may be added to the above rates.

SCHEDULE MS
MUNICIPAL SERVICE

Applicability:

Applicable to single or three-phase service which supplies electricity to the City of Azusa Municipal Agency (including City of Azusa water pumping service).

Territory:

Within the electric service territory of the City of Azusa.

Rate:

Customer Charge, per meter per month	\$6.49-7.09
Energy Charge (to be added to customer charge)	
Each kWh per meter per month	10.59 -11.57¢
Minimum Charge:	
The monthly minimum charge shall be the Monthly Customer Charge	

Special Conditions:

1. The above rate shall be subject to fuel cost adjustment.
2. A State Surcharge Tax may be added to the above rate.

SCHEDULE S

STANDBY

Applicability:

Applicable to single or three-phase service where the entire electrical requirements on the Customer's premises only operate in emergency or are not regularly supplied by the Utility.

Territory:

Within the electric service territory of the City of Azusa.

Rate:

Standby Charge:

All KW of demand, per KW per month ~~\$2.55~~-2.79

Regular Schedule Charges (to be added to Standby Charge)

All charges of the General Service Rate G-1

Minimum Charge:

The monthly minimum charge shall be the Standby Charge plus the regular schedule customer charge.

Special Conditions:

1. When the connected load cannot be determined in KW, the connected load will be estimated by the Utility based on tests and other information available.
2. This schedule shall apply only to service expected to operate for at least one year or longer.
3. The above rate shall be subject to fuel cost adjustment.
4. A State Surcharge Tax may be added to the above rate.

SCHEDULE SL-1

STREET LIGHTING SERVICE DEPARTMENT-OWNED LIGHTING DISTRICTS

Applicability:

Applicable to lighting districts for street and highway lighting service where the Utility owns and maintains the street lighting equipment.

Territory:

Within the electric service territory of the City of Azusa

Rates:	<u>Avg kWh per Month</u>	<u>Per Lamp per Month</u>
Incandescent		
4,000 Lumen (300W)	104	\$14.02 15.32
Mercury Vapor		
7,000 Lumen (175W)	60	14.40 15.74
11,000 Lumen (250W)	86	18.59 20.32
20,000 Lumen (400W)	138	25.47 27.84
High-Pressure Sodium		
9,500 Lumen (100W)	35	13.05 14.26
22,000 Lumen (220W)	76	18.14 19.83
25,500 Lumen (250W)	86	19.41 21.22

Special Conditions:

1. The above rate is subject to fuel cost adjustment.
2. A State Surcharge Tax may be added to the above rate.
3. Hours of Service: approximately 4140 hours per year.
4. Other than Standard Equipment: Where the customer requests the installation of other than the standard equipment furnished by the Utility and such requested equipment is acceptable to the Utility, the Utility will install the requested equipment provided the customer agrees to advance the estimated difference in installed cost between such equipment and standard equipment. Advances made for this purpose will not be refunded. Facilities installed in connection with such agreements become and remain the sole property of the Utility.

SCHEDULE SL-2

STREET LIGHT AND OUTDOOR AREA LIGHTING SERVICE CUSTOMER OWNED LIGHTING DISTRICTS

Applicability:

Applicable to un-metered, controlled for dusk-to-dawn operation of outdoor area lighting for purposes, such as bus shelters, street and highway lighting service parking lots, pedestrian walkways, monuments, and decorative areas where the customer owns and maintains the lighting equipment.

Territory:

Within the electric service area of the City of Azusa.

Rates:

1. Customer charge per location per month is ~~\$3.51~~ 3.84.
2. Energy charge ~~10.08~~ 11.02 cents per kWh.

	<u>Avg kWh per Month</u>	<u>Per Lamp Per Month</u>
Incandescent		
4,000 Lumen (300W)	104	\$14.46 15.80
Mercury Vapor		
7,000 Lumen (175W)	60	9.90 10.82
11,000 Lumen (250W)	86	12.63 13.80
20,000 Lumen (400W)	138	18.10 19.78
High-Pressure Sodium		
9,500 Lumen (100W)	35	7.15 7.81
22,000 Lumen (220W)	76	11.53 12.60
25,500 Lumen (250W)	86	12.63 13.80

Special Conditions:

1. The above rate is subject to fuel cost adjustment.
2. A state surcharge tax may be added to the above rate.
3. Hours of service: Approximately 4140 hours per year, 345 hours per month.

Schedule SL-2 (continued)

4. For bus shelter and other services with more than one lamp per location. The applicable rate bases on the total wattage of the lamps installed.
5. The customer will comply, furnish, and install at their expense all necessary equipment required by local building codes.
6. All customer-owned un-metered facilities beyond the utility's point of delivery will be maintained, and operated by the customer.
7. For service at this schedule, the utility may, at its option, provide an additional point of delivery, separate from any other point of delivery provided under any other applicable rate schedule.
8. Voltages: Service under this schedule will be delivered at 120, 120/240 volts or at the option of the utility at 120/208 or 277/480 three-wire single-phase.
 - a. Installation of additional utility facilities shall be under existing Electric Utility Rule No. 15.

SCHEDULE SL-3

STREET LIGHTING SERVICE CUSTOMER-OWNED LIGHTING MAINTAINED BY AZUSA LIGHT & WATER

Applicability:

Applicable to un-metered electric service for street and highway lighting where the Customer owns lighting facilities on private property and contracts with Azusa Light & Water to maintain the street lighting equipment.

Territory:

With the electric service territory of the City of Azusa.

Rates:

	<u>Avg kWh per Month</u>	<u>Per Lamp Per Month</u>
High-Pressure Sodium		
9,500 Lumen (100W)	35	\$13.05 14.26
25,500 Lumen (250W)	86	19.41 21.22

Special Conditions:

1. The above rate is subject to fuel cost adjustment.
2. A State Surcharge Tax may be added to the above rate.
3. Hours of Service: approximately 4140 hours per year.
4. The customer will furnish and install at their expense all necessary equipment including the standard equipment required and accepted by Azusa Light & Water according to street lighting codes.
5. The customer will own the equipment, but contract with Azusa Light & Water to replace burned-out lamps and otherwise maintain the luminaire during regular daytime working hours, as soon as practicable following notification by the customer. The customer will be billed the cost of time and materials to their street light account.
6. Normal maintenance shall not include any replacement of posts or post parts when such damage is coincident with or is a result of partial or total demolition of post or when caused by riots, fire, explosions, earthquakes, disasters of major magnitude or acts of God, nor shall normal maintenance include that due to equipment developing defects in test or in service due to faults in design, manufacturing, or installation until such defects have been satisfactorily corrected.

SCHEDULE OL
OUTDOOR AREA LIGHTING SERVICE

Applicability:

Applicable to outdoor area lighting service, other than street and highway lighting service, where the Utility owns and maintains the area lighting equipment.

Territory:

Within the electric service area of the City of Azusa.

Rates:

<u>Mercury Vapor</u>	<u>Existing Pole</u>	<u>New Pole</u>
7,000 Lumen (175W)	\$14.65 16.01	\$18.22 19.91
20,000 Lumen (400W)	26.74 29.23	30.30 33.12
 <u>High Pressure Sodium</u>		
9,500 Lumen (100W)	13.05 14.26	16.61 18.15
25,500 Lumen (250W)	18.47 20.19	22.04 24.09

Special Conditions:

1. The Utility will, at its own expense, install, operate and maintain its standard overhead outdoor lighting equipment. Facilities will consist of a luminaire with a photo-electric switch control and a support, mounted on a Utility-owned pole at which 120V service is readily available. All facilities will be owned and maintained by the Utility.
2. The Utility will replace burned-out lamps and otherwise maintain the luminaire during regular daytime working hours as soon as practicable following notification by the customer.
3. This service will be furnished only if the installation is considered by the Utility to be of a permanent and established character. If the customer requests the removal of service during the first two years of service, there will be a ~~\$159.18~~ 173.98 charge to remove the facilities, or ~~\$636.70~~ 695.91 charge if removal of the pole is required.
4. The above rate is subject to a fuel cost adjustment.
5. A State Surcharge Tax may be added to the above rate.

Schedule OL (continued)

6. Energy: The Utility will supply the energy which is included in the monthly rate on the previous page.
7. Hours of Service: Burning hours will be from dusk to dawn, aggregating approximately 4,080 hours per year. Credit will not be allowed for lamp outages.

SCHEDULE FCA-SJ

FUEL COST ADJUSTMENT – SAN JUAN RESOURCE

(Adopted by Resolution No. 04-C57)

Background:

The City's San Juan Unit 3 resource is its single largest resource providing up to 75% of City's annual energy requirement.

Due to the sunk cost nature of San Juan resource, the cost incurred in procuring replacement power when the unit is derated, or unavailable due to scheduled or forced outages is an addition to the power resource cost that must be recovered. This rate schedule would ensure timely and prudent recovery of the replacement power costs for San Juan Unit 3 resource.

Applicability:

Applicable to all electric services.

Territory:

Within the electric service territory of the City of Azusa.

Rate Determination:

Energy Charge: As determined by the methodology below.

Rate:

The Azusa Light and Water shall determine the fuel cost adjustment component associated with its San Juan unit 3 resource pursuant to the following methodology each quarter. The Director of Utilities shall notify the City Council of the new fuel cost component associated with its San Juan unit 3 each quarter. It shall be applied to all electric bills beginning the first billing cycle of each quarter.

1. Determine the base San Juan replacement power cost for the quarter through the following calculation:

$$(A) = \text{Base San Juan Replacement Power Cost in \$} = 30 \times (\text{N\# of days during the quarter}) \times 24 \times 0.15 \times 40.$$
2. Determine the actual San Juan replacement power cost in \$ incurred during the quarter (B).
3. Determine other San Juan associated costs (+) or credits (-), e.g. outage insurance premium payment (+), outage insurance payout (-) incurred during the quarter (C).

4. Derive the amount of Replacement Power Cost (RPC) eligible to be recovered through the following calculation:

$$RPC = (A) - (B) + (C)$$

5. Adjust the RPC in accordance with the following to derive Adjusted Replacement Power Cost (ARPC):

(i) If $RPC < -\$750,000$, then $ARPC = -\$750,000$

(ii) If $-\$750,000 < RPC < -\$100,000$, then $ARPC = RPC$

(iii) If $-\$100,000 < RPC < +\$100,000$, then $ARPC = \$0$

(iv) If $\$100,000 < RPC < +\$750,000$, then $ARPC = RPC$

(v) If $RPC > +\$750,000$, then $ARPC = +\$750,000$

6. Derive Replacement Power Cost Balancing Account (RPCBA) by subtracting ARPC from RPC, i.e., $RPCBA = RPC - ARPC$.

7. Forecast the retail sales for the immediately succeeding quarter (R).

8. Derive the fuel cost adjustment associated with the San Juan unit 3 resource by dividing ARPC by (R).

9. Any balance remaining in RPCBA shall be added to the RPC of the immediately succeeding quarter for recovery or credit. Subject to City Council's approval, the Director of Utilities may establish a minimum RPCBA threshold to be retained for the purposes of reducing the fluctuations in fuel cost adjustment.

This rate schedule is applicable to San Juan energy resource only. To the extent a need arises to apply FCA provision to energy resources other than San Juan, the Director of Utilities may implement it with the approval of the Utility Board.

EFFECTIVE 12/01/2009

Electric Rate Schedule - 24

Debt Coverage Ratio Test
Electric - Enterprise Fund

	Actual 06-07	Actual 07-08	Projected 08-09	Projected 09-10	Projected 10-11
Revenues Available for Debt Service					
Retail Revenues*	\$29,291,633	\$30,530,846	\$31,274,785	\$29,971,647	\$30,000,000
Resale Revenue	5,367,877	5,201,029	3,463,315	5,500,000	6,700,000
Other Miscellaneous Revenue	906,539	1,649,402	974,017	398,000	400,000
Interest Income	2,111,053	1,884,118	862,067	650,000	500,000
	\$37,677,102	\$39,265,395	\$36,574,184	\$36,519,647	\$37,600,000
Operating Expenses					
Purchased Power	\$21,907,441	\$25,829,427	\$23,119,986	\$25,580,000	\$27,000,000
Transmission/Dispatching	3,232,180	3,413,238	3,699,998	4,775,015	4,800,000
Operations and Maintenance	3,114,924	2,820,903	3,659,169	4,433,025	4,500,000
Uncollectible Accounts	153,686	76,725	105,320	110,000	110,000
Administrative and General	1,637,415	1,964,947	2,127,004	2,202,129	2,200,000
	\$30,045,646	\$34,105,240	\$32,711,478	\$37,100,169	\$38,610,000
Subtotal Operating Expenses					
	\$30,045,646	\$34,105,240	\$32,711,478	\$37,100,169	\$38,610,000
Net Revenue Available for Debt Service	\$7,631,456	\$5,160,155	\$3,862,706	(\$580,522)	(\$1,010,000)
Debt Service	\$972,810	\$972,749	\$948,136	\$947,783	\$948,614
Debt Coverage Ratio (1.1 minimum required)	7.84	5.30	4.07	(0.61)	(1.06)

*FY 2008-09 Retail Revenue based on Customer Information System Billing Report.

Reserve Test
Electric - Enterprise Fund

	Actual 07-08	Actual 08-09	Projected 09-10	Projected 10-11
Cash/Reserve at Beginning of Fiscal Year*		\$26,485,212	\$25,043,988	18,873,700
Revenue				
Retail Revenues**	\$30,530,846	\$31,274,785	\$29,971,647	\$30,000,000
Resale Revenue	5,201,029	3,463,315	5,500,000	6,700,000
Other Miscellaneous Revenue	1,649,402	974,017	398,000	400,000
Interest Income	1,884,118	862,067	650,000	500,000
Total Revenues	\$39,265,395	\$36,574,184	\$36,519,647	\$37,600,000
Operating Expenses				
Purchased Power	\$25,829,427	\$23,119,986	\$25,580,000	\$27,000,000
Transmission/Dispatching	3,413,238	3,699,998	4,775,015	4,800,000
Operations and Maintenance	2,820,903	3,659,169	4,433,025	4,500,000
Uncollectible Accounts	76,725	105,320	110,000	110,000
Administrative and General	1,964,947	2,127,004	2,202,129	2,200,000
Subtotal Operating Expenses	\$34,105,240	\$32,711,478	\$37,100,169	\$38,610,000
Interest Expense - LTD	\$547,749	\$534,295	\$492,785	\$468,614
Franchise and In-Lieu-Tax	3,030,084	3,183,707	2,960,223	3,000,000
Total Expenditures	\$37,683,073	\$36,429,480	\$40,553,177	\$42,078,614
Adjustments				
Add Principal on Long Term Debt	425,000	\$435,000	\$455,000	\$480,000
Interest Income Transfer	\$1,888,355			
Capital Improvements	319,504	1,150,928	1,681,758	1,681,758
Total Cash Expenditures	\$40,315,932	\$38,015,408	\$42,689,935	\$44,240,372
Change in Cash/Reserve	(\$1,050,537)	(\$1,441,224)	(\$6,170,288)	(\$6,640,372)
Ending FY Cash/Reserve Balance*	\$26,485,212	\$25,043,988	\$18,873,700	\$12,233,329

*Cash on Statement of Net Assets + Short Term Loans to Other Funds + Rate Stabilization Fund Amount

**FY 2008-09 Retail Revenue based on Customer Information System Billing Report.

Simplified Income Statement - Interest Income Transfer Test
Electric - Enterprise Fund

	Actual 06-07	Actual 07-08	Projected 08-09	Projected 09-10	Projected 10-11
Revenue					
Retail Revenues*	\$29,291,633	\$30,530,846	\$31,274,785	\$29,971,647	\$30,000,000
Resale Revenue	5,367,877	5,201,029	3,463,315	5,500,000	6,700,000
Other Miscellaneous Revenue	906,539	1,649,402	974,017	398,000	400,000
Interest Income	2,111,053	1,884,118	862,067	650,000	500,000
Total Revenues	\$37,677,102	\$39,265,395	\$36,574,184	\$36,519,647	\$37,600,000
Operating Expenses					
Purchased Power	\$21,907,441	\$25,829,427	\$23,119,986	\$25,580,000	\$27,000,000
Transmission/Dispatching	3,232,180	3,413,238	3,699,998	4,775,015	4,800,000
Operations and Maintenance	3,114,924	2,820,903	3,659,169	4,433,025	4,500,000
Uncollectible Accounts	153,686	76,725	105,320	110,000	110,000
Administrative and General	1,637,415	1,964,947	2,127,004	2,202,129	2,200,000
Depreciation	1,126,895	1,151,240	1,100,000	1,100,000	1,100,000
Subtotal Operating Expenses	\$31,172,541	\$35,256,480	\$33,811,478	\$38,200,169	\$39,710,000
Interest Expense - LTD	\$562,810	\$547,749	\$534,295	\$492,785	\$468,614
Franchise and In-Lieu-Tax	2,979,370	3,030,084	3,183,707	2,960,223	2,960,223
Total Expenditures	\$34,714,721	\$38,834,313	\$37,529,480	\$41,653,177	\$43,138,836
Net Income	\$2,962,381	\$431,082	(\$955,296)	(\$5,133,530)	(\$5,538,836)
Positive Net Income Test Met	Yes	Yes	No	No	No

*FY 2008-09 Retail Revenue based on Customer Information System Billing Report.

Scope of Work

Consultant shall perform a detailed cost and revenue analysis and determine what rate adjustments are necessary, if any, to maintain adequate revenues to cover expenses and meet reserve and debt service requirements.

A. Study Work Plan

- a. Using at least two fiscal years of audited detailed trial balance information, breakdown revenues and expenses into appropriate categories and create a 5-year forecast.
- b. Review existing policies governing: (1) transfers of interest income from electric fund to capital improvement fund; (2) electric fund reserves; and (3) debt-coverage ratio requirements.
- c. Using policy positions of city, formulate spreadsheets in proper format to measure compliance with existing policies based on revenue and expense forecasts with and without a rate adjustment.
- d. Determine level of retail rate adjustment, if any, necessary to meet revenue requirement and comply with noted policies over a 5-year period.
- e. Analyze changes in costs and revenues since last rate adjustment to explain and justify any changes to rates.
- f. Based on "cost of service" principles, review allocation of costs to rate payers based on existing rate schedule, and propose changes necessary to meet revenue requirements and comply with existing policies.
- g. It is desirable that consultant give special consideration to purchase power cost fluctuations as well as resale revenue variations, and provide AL&W with some options on how best to manage these variances on an annual or semi-annual basis, possibly through a purchase power cost rate adjustment mechanism.
- h. In formulating cost and revenue forecasts, consider fiscal impacts of following:
 - i. Purchase power transactions and offsetting wholesale revenue
 - ii. Renewable energy portfolio requirements, current status of compliance and future purchases as may be necessary, including renewable energy credits, cost of greenhouse gas emission allocations, etc.
 - iii. Capital project spending requirements
 - iv. Compliance with debt coverage requirements
- i. Perform revenue tests to model and demonstrate accuracy of recommended rate adjustments using actual customer counts, meter types or sizes and consumption patterns--at least covering a full year of actual usage data during what might be considered a normal weather year.
- j. Proposed changes to rates or rate structure shall comply with all legal and regulatory requirements

[[MODEL - REMOVE THIS TITLE WHEN USED]]

**CITY OF AZUSA
PROFESSIONAL SERVICES AGREEMENT**

1. PARTIES AND DATE.

This Agreement is made and entered into this ____ day of _____, 20__ by and between the **City of Azusa**, a municipal organization organized under the laws of the State of California with its principal place of business at 213 East Foothill Boulevard, Azusa, California 91702-1295 ("City") and [___INSERT NAME___], a [___[INSERT TYPE OF ENTITY - CORPORATION, PARTNERSHIP, SOLE PROPRIETORSHIP OR OTHER LEGAL ENTITY]___] with its principal place of business at [___INSERT ADDRESS___] ("Consultant"). City and Consultant are sometimes individually referred to as "Party" and collectively as "Parties."

2. RECITALS.

2.1 Consultant.

Consultant desires to perform and assume responsibility for the provision of certain professional services required by the City on the terms and conditions set forth in this Agreement. Consultant represents that it is experienced in providing [___INSERT TYPE OF SERVICES___] services to public clients, is licensed in the State of California, and is familiar with the plans of City.

2.2 Project.

City desires to engage Consultant to render such services for the [___INSERT NAME OF PROJECT___] project ("Project") as set forth in this Agreement.

3. TERMS.

3.1 Scope of Services and Term.

3.1.1 General Scope of Services. Consultant promises and agrees to furnish to the City all labor, materials, tools, equipment, services, and incidental and customary work necessary to fully and adequately supply the professional [___INSERT TYPE OF SERVICES___] consulting services necessary for the Project ("Services"). The Services are more particularly described in Exhibit "A" attached hereto and incorporated herein by reference. All Services shall be subject to, and performed in accordance with, this Agreement, the exhibits attached hereto and incorporated herein by reference, and all applicable local, state and federal laws, rules and regulations.

3.1.2 Term. The term of this Agreement shall be from [___INSERT START DATE___] to [___INSERT ENDING DATE___], unless earlier terminated as provided herein.

Consultant shall complete the Services within the term of this Agreement, and shall meet any other established schedules and deadlines.

3.2 Responsibilities of Consultant.

3.2.1 Control and Payment of Subordinates; Independent Contractor. The Services shall be performed by Consultant or under its supervision. Consultant will determine the means, methods and details of performing the Services subject to the requirements of this Agreement. City retains Consultant on an independent contractor basis and not as an employee. Consultant retains the right to perform similar or different services for others during the term of this Agreement. Any additional personnel performing the Services under this Agreement on behalf of Consultant shall also not be employees of City and shall at all times be under Consultant's exclusive direction and control. Consultant shall pay all wages, salaries, and other amounts due such personnel in connection with their performance of Services under this Agreement and as required by law. Consultant shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance.

3.2.2 Schedule of Services. Consultant shall perform the Services expeditiously, within the term of this Agreement, and in accordance with the Schedule of Services set forth in Exhibit "B" attached hereto and incorporated herein by reference. Consultant represents that it has the professional and technical personnel required to perform the Services in conformance with such conditions. In order to facilitate Consultant's conformance with the Schedule, City shall respond to Consultant's submittals in a timely manner. Upon request of City, Consultant shall provide a more detailed schedule of anticipated performance to meet the Schedule of Services.

3.2.3 Conformance to Applicable Requirements. All work prepared by Consultant shall be subject to the approval of City.

3.2.4 Substitution of Key Personnel. Consultant has represented to City that certain key personnel will perform and coordinate the Services under this Agreement. Should one or more of such personnel become unavailable, Consultant may substitute other personnel of at least equal competence upon written approval of City. In the event that City and Consultant cannot agree as to the substitution of key personnel, City shall be entitled to terminate this Agreement for cause. As discussed below, any personnel who fail or refuse to perform the Services in a manner acceptable to the City, or who are determined by the City to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project or a threat to the safety of persons or property, shall be promptly removed from the Project by the Consultant at the request of the City. The key personnel for performance of this Agreement are as follows: [___INSERT NAMES___].

3.2.5 City's Representative. The City hereby designates [___INSERT NAME OR TITLE___], or his or her designee, to act as its representative for the performance of this Agreement ("City's Representative"). City's Representative shall have the power to act on behalf of the City for all purposes under this Contract. Consultant shall not accept direction or orders from any person other than the City's Representative or his or her designee.

3.2.6 Consultant's Representative. Consultant hereby designates [___INSERT NAME OR TITLE___], or his or her designee, to act as its representative for the performance of this Agreement ("Consultant's Representative"). Consultant's Representative shall have full authority to represent and act on behalf of the Consultant for all purposes under this Agreement. The Consultant's Representative shall supervise and direct the Services, using his best skill and attention, and shall be responsible for all means, methods, techniques, sequences and procedures and for the satisfactory coordination of all portions of the Services under this Agreement.

3.2.7 Coordination of Services. Consultant agrees to work closely with City staff in the performance of Services and shall be available to City's staff, consultants and other staff at all reasonable times.

3.2.8 Standard of Care; Performance of Employees. Consultant shall perform all Services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California. Consultant represents and maintains that it is skilled in the professional calling necessary to perform the Services. Consultant warrants that all employees and subcontractors shall have sufficient skill and experience to perform the Services assigned to them. Finally, Consultant represents that it, its employees and subcontractors have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services, including a City Business License, and that such licenses and approvals shall be maintained throughout the term of this Agreement. As provided for in the indemnification provisions of this Agreement, Consultant shall perform, at its own cost and expense and without reimbursement from the City, any services necessary to correct errors or omissions which are caused by the Consultant's failure to comply with the standard of care provided for herein. Any employee of the Consultant or its sub-consultants who is determined by the City to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project, a threat to the safety of persons or property, or any employee who fails or refuses to perform the Services in a manner acceptable to the City, shall be promptly removed from the Project by the Consultant and shall not be re-employed to perform any of the Services or to work on the Project.

3.2.9 Laws and Regulations. Consultant shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Project or the Services, including all Cal/OSHA requirements, and shall give all notices required by law. Consultant shall be liable for all violations of such laws and regulations in connection with Services. If the Consultant performs any work knowing it to be contrary to such laws, rules and regulations and without giving written notice to the City, Consultant shall be solely responsible for all costs arising therefrom. Consultant shall defend, indemnify and hold City, its officials, directors, officers, employees and agents free and harmless, pursuant to the indemnification provisions of this Agreement, from any claim or liability arising out of any failure or alleged failure to comply with such laws, rules or regulations.

3.2.10 Insurance.

3.2.10.1 Time for Compliance. Consultant shall not commence Work under this Agreement until it has provided evidence satisfactory to the City that it has secured all insurance required under this section. In addition, Consultant shall not allow any subcontractor to

commence work on any subcontract until it has provided evidence satisfactory to the City that the subcontractor has secured all insurance required under this section.

3.2.10.2 Minimum Requirements. Consultant shall, at its expense, procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the Agreement by the Consultant, its agents, representatives, employees or subcontractors. Consultant shall also require all of its subcontractors to procure and maintain the same insurance for the duration of the Agreement. Such insurance shall meet at least the following minimum levels of coverage:

(A) Minimum Scope of Insurance. Coverage shall be at least as broad as the latest version of the following: (1) *General Liability*: Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001); (2) *Automobile Liability*: Insurance Services Office Business Auto Coverage form number CA 0001, code 1 (any auto); and (3) *Workers' Compensation and Employer's Liability*: Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

(B) Minimum Limits of Insurance. Consultant shall maintain limits no less than: (1) *General Liability*: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit is used, either the general aggregate limit shall apply separately to this Agreement/location or the general aggregate limit shall be twice the required occurrence limit; (2) *Automobile Liability*: \$1,000,000 per accident for bodily injury and property damage; and (3) *Workers' Compensation and Employer's Liability*: Workers' Compensation limits as required by the Labor Code of the State of California. Employer's Liability limits of \$1,000,000 per accident for bodily injury or disease.

3.2.10.3 Professional Liability. **[INCLUDE ONLY IF APPLICABLE - DELETE OTHERWISE]** Consultant shall procure and maintain, and require its sub-consultants to procure and maintain, for a period of five (5) years following completion of the Project, errors and omissions liability insurance appropriate to their profession. Such insurance shall be in an amount not less than \$1,000,000 **[INCREASE IF NECESSARY - OTHERWISE LEAVE AS IS AND DELETE THIS NOTE]** per claim, and shall be endorsed to include contractual liability.

3.2.10.4 Insurance Endorsements. The insurance policies shall contain the following provisions, or Consultant shall provide endorsements on forms supplied or approved by the City to add the following provisions to the insurance policies:

(A) General Liability. The general liability policy shall be endorsed to state that: (1) the City, its directors, officials, officers, employees, agents and volunteers shall be covered as additional insured with respect to the Work or operations performed by or on behalf of the Consultant, including materials, parts or equipment furnished in connection with such work; and (2) the insurance coverage shall be primary insurance as respects the City, its directors, officials, officers, employees, agents and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by the City, its directors, officials, officers, employees, agents and volunteers shall be excess of the Consultant's insurance and shall not be called upon to contribute with it in any way.

(B) Automobile Liability. The automobile liability policy shall be endorsed to state that: (1) the City, its directors, officials, officers, employees, agents and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by the Consultant or for which the Consultant is responsible; and (2) the insurance coverage shall be primary insurance as respects the City, its directors, officials, officers, employees, agents and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by the City, its directors, officials, officers, employees, agents and volunteers shall be excess of the Consultant's insurance and shall not be called upon to contribute with it in any way.

(C) Workers' Compensation and Employers Liability Coverage. The insurer shall agree to waive all rights of subrogation against the City, its directors, officials, officers, employees, agents and volunteers for losses paid under the terms of the insurance policy which arise from work performed by the Consultant.

(D) All Coverages. Each insurance policy required by this Agreement shall be endorsed to state that: (A) coverage shall not be suspended, voided, reduced or canceled except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City; and (B) any failure to comply with reporting or other provisions of the policies, including breaches of warranties, shall not affect coverage provided to the City, its directors, officials, officers, employees, agents and volunteers.

3.2.10.5 Separation of Insureds; No Special Limitations. All insurance required by this Section shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to the City, its directors, officials, officers, employees, agents and volunteers.

3.2.10.6 Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions must be declared to and approved by the City. Consultant shall guarantee that, at the option of the City, either: (1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its directors, officials, officers, employees, agents and volunteers; or (2) the Consultant shall procure a bond guaranteeing payment of losses and related investigation costs, claims and administrative and defense expenses.

3.2.10.7 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating no less than A:VIII, licensed to do business in California, and satisfactory to the City.

3.2.10.8 Verification of Coverage. Consultant shall furnish City with original certificates of insurance and endorsements effecting coverage required by this Agreement on forms satisfactory to the City. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf, and shall be on forms provided by the City if requested. All certificates and endorsements must be received and approved

by the City before work commences. The City reserves the right to require complete, certified copies of all required insurance policies, at any time.

3.2.11 Safety. Consultant shall execute and maintain its work so as to avoid injury or damage to any person or property. In carrying out its Services, the Consultant shall at all times be in compliance with all applicable local, state and federal laws, rules and regulations, and shall exercise all necessary precautions for the safety of employees appropriate to the nature of the work and the conditions under which the work is to be performed. Safety precautions as applicable shall include, but shall not be limited to: (A) adequate life protection and life saving equipment and procedures; (B) instructions in accident prevention for all employees and subcontractors, such as safe walkways, scaffolds, fall protection ladders, bridges, gang planks, confined space procedures, trenching and shoring, equipment and other safety devices, equipment and wearing apparel as are necessary or lawfully required to prevent accidents or injuries; and (C) adequate facilities for the proper inspection and maintenance of all safety measures.

3.3 Fees and Payments.

3.3.1 Compensation. Consultant shall receive compensation, including authorized reimbursements, for all Services rendered under this Agreement at the rates set forth in Exhibit "C" attached hereto and incorporated herein by reference. The total compensation shall not exceed [___INSERT WRITTEN DOLLAR AMOUNT___] (\$[___INSERT NUMERICAL DOLLAR AMOUNT___]) without written approval of City's _____. Extra Work may be authorized, as described below, and if authorized, will be compensated at the rates and manner set forth in this Agreement.

3.3.2 Payment of Compensation. Consultant shall submit to City a monthly itemized statement which indicates work completed and hours of Services rendered by Consultant. The statement shall describe the amount of Services and supplies provided since the initial commencement date, or since the start of the subsequent billing periods, as appropriate, through the date of the statement. City shall, within 45 days of receiving such statement, review the statement and pay all approved charges thereon.

3.3.3 Reimbursement for Expenses. Consultant shall not be reimbursed for any expenses unless authorized in writing by City.

3.3.4 Extra Work. At any time during the term of this Agreement, City may request that Consultant perform Extra Work. As used herein, "Extra Work" means any work which is determined by City to be necessary for the proper completion of the Project, but which the parties did not reasonably anticipate would be necessary at the execution of this Agreement. Consultant shall not perform, nor be compensated for, Extra Work without written authorization from City's Representative.

3.3.5 Prevailing Wages. Consultant is aware of the requirements of California Labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 1600, et seq., ("Prevailing Wage Laws"), which require the payment of prevailing wage rates and the performance of other requirements on "public works" and "maintenance" projects. If

the Services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. City shall provide Consultant with a copy of the prevailing rates of per diem wages in effect at the commencement of this Agreement. Consultant shall make copies of the prevailing rates of per diem wages for each craft, classification or type of worker needed to execute the Services available to interested parties upon request, and shall post copies at the Consultant's principal place of business and at the project site. Consultant shall defend, indemnify and hold the City, its elected officials, officers, employees and agents free and harmless from any claim or liability arising out of any failure or alleged failure to comply with the Prevailing Wage Laws.

3.4 Accounting Records.

3.4.1 Maintenance and Inspection. Consultant shall maintain complete and accurate records with respect to all costs and expenses incurred under this Agreement. All such records shall be clearly identifiable. Consultant shall allow a representative of City during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents created pursuant to this Agreement. Consultant shall allow inspection of all work, data, documents, proceedings, and activities related to the Agreement for a period of three (3) years from the date of final payment under this Agreement.

3.5 General Provisions.

3.5.1 Termination of Agreement.

3.5.1.1 Grounds for Termination. City may, by written notice to Consultant, terminate the whole or any part of this Agreement at any time and without cause by giving written notice to Consultant of such termination, and specifying the effective date thereof, at least seven (7) days before the effective date of such termination. Upon termination, Consultant shall be compensated only for those services which have been adequately rendered to City, and Consultant shall be entitled to no further compensation. Consultant may not terminate this Agreement except for cause.

3.5.1.2 Effect of Termination. If this Agreement is terminated as provided herein, City may require Consultant to provide all finished or unfinished Documents and Data and other information of any kind prepared by Consultant in connection with the performance of Services under this Agreement. Consultant shall be required to provide such document and other information within fifteen (15) days of the request.

3.5.1.3 Additional Services. In the event this Agreement is terminated in whole or in part as provided herein, City may procure, upon such terms and in such manner as it may determine appropriate, services similar to those terminated.

3.5.2 Delivery of Notices. All notices permitted or required under this Agreement shall be given to the respective parties at the following address, or at such other address as the respective parties may provide in writing for this purpose:

Consultant:

[___INSERT NAME, ADDRESS & CONTACT PERSON___]

City:

City of Azusa
213 East Foothill Blvd.
Azusa, CA 91702-1295

Attn: [___INSERT NAME & DEPARTMENT___]

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

3.5.3 Ownership of Materials and Confidentiality.

3.5.3.1 Documents & Data; Licensing of Intellectual Property. This Agreement creates a non-exclusive and perpetual license for City to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Consultant under this Agreement ("Documents & Data"). Consultant shall require all subcontractors to agree in writing that City is granted a non-exclusive and perpetual license for any Documents & Data the subcontractor prepares under this Agreement. Consultant represents and warrants that Consultant has the legal right to license any and all Documents & Data. Consultant makes no such representation and warranty in regard to Documents & Data which were prepared by design professionals other than Consultant or provided to Consultant by the City. City shall not be limited in any way in its use of the Documents and Data at any time, provided that any such use not within the purposes intended by this Agreement shall be at City's sole risk.

3.5.3.2 Confidentiality. All ideas, memoranda, specifications, plans, procedures, drawings, descriptions, computer program data, input record data, written information, and other Documents and Data either created by or provided to Consultant in connection with the performance of this Agreement shall be held confidential by Consultant. Such materials shall not, without the prior written consent of City, be used by Consultant for any purposes other than the performance of the Services. Nor shall such materials be disclosed to any person or entity not connected with the performance of the Services or the Project. Nothing furnished to Consultant which is otherwise known to Consultant or is generally known, or has become known, to the related industry shall be deemed confidential. Consultant shall not use City's name or insignia, photographs of the Project, or any publicity pertaining to the Services or the Project in any magazine, trade paper, newspaper, television or radio production or other similar medium without the prior written consent of City.

3.5.4 Cooperation; Further Acts. The Parties shall fully cooperate with one another, and shall take any additional acts or sign any additional documents as may be necessary, appropriate or convenient to attain the purposes of this Agreement.

3.5.5 Attorney's Fees. If either party commences an action against the other party, either legal, administrative or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorney's fees and all other costs of such action.

3.5.6 Indemnification. Consultant shall defend, indemnify and hold the City, its officials, officers, employees, volunteers and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury, in law or equity, to property or persons, including wrongful death, in any manner arising out of or incident to any alleged acts, omissions or willful misconduct of Consultant, its officials, officers, employees, agents, consultants and contractors arising out of or in connection with the performance of the Services, the Project or this Agreement, including without limitation the payment of all consequential damages and attorneys fees and other related costs and expenses. Consultant shall defend, at Consultant's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against City, its directors, officials, officers, employees, agents or volunteers. Consultant shall pay and satisfy any judgment, award or decree that may be rendered against City or its directors, officials, officers, employees, agents or volunteers, in any such suit, action or other legal proceeding. Consultant shall reimburse City and its directors, officials, officers, employees, agents and/or volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the City, its directors, officials officers, employees, agents or volunteers. *****IF FOR DESIGN PROFESSIONAL SERVICES (ARCHITECT, LANDSCAPE ARCHITECT, ENGINEER OR LAND SURVEYOR), USE THE FOLLOWING ALTERNATIVE LANGUAGE AND DELETE THE ABOVE LANGUAGE.** To the fullest extent permitted by law, Contractor shall defend, indemnify and hold the City, its officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or relating to any negligence, errors or omissions, recklessness, or willful misconduct of Contractor, its officials, officers, employees, agents, consultants, and contractors arising out of or in connection with the performance of the Contractor's Services, including without limitation the payment of all consequential damages, expert witness fees, and attorneys fees and other related costs and expenses. Contractor shall defend, at Contractor's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against City, its directors, officials, officers, employees, agents, or volunteers. Contractor shall pay and satisfy any judgment, award or decree that may be rendered against City or its directors, officials, officers, employees, agents, or volunteers, in any such suit, action or other legal proceeding. Contractor shall reimburse City and its directors, officials, officers, employees, agents, and/or volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Contractor's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the City, its directors, officials officers, employees, agents, or

volunteers.***]

3.5.7 Entire Agreement. This Agreement contains the entire Agreement of the parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements. This Agreement may only be modified by a writing signed by both parties.

3.5.8 Governing Law. This Agreement shall be governed by the laws of the State of California. Venue shall be in Los Angeles County.

3.5.9 Time of Essence. Time is of the essence for each and every provision of this Agreement.

3.5.10 City's Right to Employ Other Consultants. City reserves right to employ other consultants in connection with this Project.

3.5.11 Successors and Assigns. This Agreement shall be binding on the successors and assigns of the parties.

3.5.12 Assignment or Transfer. Consultant shall not assign, hypothecate, or transfer, either directly or by operation of law, this Agreement or any interest herein without the prior written consent of the City. Any attempt to do so shall be null and void, and any assignees, hypothecates or transferees shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer.

3.5.13 Construction; References; Captions. Since the Parties or their agents have participated fully in the preparation of this Agreement, the language of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any Party. Any term referencing time, days or period for performance shall be deemed calendar days and not work days. All references to Consultant include all personnel, employees, agents, and subcontractors of Consultant, except as otherwise specified in this Agreement. All references to City include its elected officials, officers, employees, agents, and volunteers except as otherwise specified in this Agreement. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content, or intent of this Agreement.

3.5.14 Amendment; Modification. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing and signed by both Parties.

3.5.15 Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel, or otherwise.

3.5.16 No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

3.5.17 Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

3.5.18 Prohibited Interests. Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, City shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of City, during the term of his or her service with City, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

3.5.19 Equal Opportunity Employment. Consultant represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee or applicant for employment because of race, religion, color, national origin, handicap, ancestry, sex or age. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination. Consultant shall also comply with all relevant provisions of City's Minority Business Enterprise program, Affirmative Action Plan or other related programs or guidelines currently in effect or hereinafter enacted.

3.5.20 Labor Certification. By its signature hereunder, Consultant certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions of that Code, and agrees to comply with such provisions before commencing the performance of the Services.

3.5.21 Authority to Enter Agreement. Consultant has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each Party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and bind each respective Party.

3.5.22 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

3.6 Subcontracting.

3.6.1 Prior Approval Required. Consultant shall not subcontract any portion of the work required by this Agreement, except as expressly stated herein, without prior written approval of

City. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

CITY OF AZUSA

[INSERT NAME OF CONSULTANT]

By: _____
City Manager

By: _____
[Name]
[Title]

Attest:

Vera, Mendoza
City Clerk

Approved as to Form:

Best Best & Krieger LLP
City Attorney

EXHIBIT "A"
SCOPE OF SERVICES

[INSERT SCOPE]

EXHIBIT "B"
SCHEDULE OF SERVICES

[INSERT SCHEDULE]

EXHIBIT "C"
COMPENSATION

[INSERT RATES & AUTHORIZED REIMBURSABLE EXPENSES]