

CITY OF EL PASO, TEXAS  
DEPARTMENT HEAD'S SUMMARY REQUEST FOR COUNCIL ACTION (RCA)

DEPARTMENT: Financial Services  
AGENDA DATE: June 20, 2006  
CONTACT PERSON/PHONE: William F. Studer, Jr./541-4011  
DISTRICT(S) AFFECTED: All Districts

09 JUN 17 11:02:00

**SUBJECT:**

APPROVE a resolution / ordinance / lease to do what? OR AUTHORIZE the City Manager to do what? Be descriptive of what we want Council to approve. Include \$ amount if applicable.

Approve a resolution whereby the City Council adopts recommendations made by Navigant Consulting, Inc. ("Navigant") resulting from its review of the El Paso Electric Company's operating expenses. Said review was performed pursuant to the Rate Agreement entered into by and between the City of El Paso (the "City") and the El Paso Electric Company (the "Company"), effective July 1, 2005 (the "Agreement").

**BACKGROUND / DISCUSSION:**

Discussion of the what, why, where, when, and how to enable Council to have reasonably complete description of the contemplated action. This should include attachment of bid tabulation, or ordinance or resolution if appropriate. What are the benefits to the City of this action?

Pursuant to paragraph 1 (e) (iii) of the Agreement, the City selected Navigant to perform a review to determine whether the Company's operating expenses are within a reasonable range as compared to the utility industry (the "Review"). Navigant presented its findings from the Review in a presentation to the City Council on June 6, 2006. The Review contained several recommendations regarding the Company's operations.

**PRIOR COUNCIL ACTION:**

Has the Council previously considered this item or a closely related one? If so, when?  
Yes. On June 6, 2006, Navigant made a presentation regarding its findings and recommendations resulting from the Review.

**AMOUNT AND SOURCE OF FUNDING:**

How will this item be funded? Has the item been budgeted? If so, identify funding source by account numbers and description of account. Does it require a budget transfer?

N/A

**BOARD / COMMISSION ACTION:**

Enter appropriate comments or N/A

N/A

\*\*\*\*\*REQUIRED AUTHORIZATION\*\*\*\*\*

**LEGAL:** (if required) Jorge Villegas, Asst. City Attorney **FINANCE:** (if required) \_\_\_\_\_

**OTHER:** William F. Studer, Deputy City Manager Financial Services \_\_\_\_\_

(Example: if RCA is initiated by Purchasing, client department should sign also)

*Information copy to appropriate Deputy City Manager*

**APPROVED FOR AGENDA:**

**CITY MANAGER:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

## RESOLUTION

**WHEREAS**, on July 12, 2005, City Council of the City of El Paso (the “**City**”) approved a resolution which approved that certain Rate Agreement (“**Agreement**”) between the City and El Paso Electric Company (the “**Company**”) addressing base rates to be charged in the city of El Paso over a period of five years;

**WHEREAS**, paragraph 1 (e) (iii) of the Agreement allowed the City to select a firm to perform a review to determine whether the Company’s operating expenses are within a reasonable range as compared to the utility industry (the “**Review**”), with the Company to reimburse the City for all expenses incurred in connection with the evaluation;

**WHEREAS**, the City, with the assent of the Company, authorized Navigant Consulting Inc. (“**Navigant**”) to perform the Review;

**WHEREAS**, Navigant presented its findings from the Review in a presentation to the City Council on June 6, 2006;

**WHEREAS**, the Review contained several recommendations regarding the Company’s operations; and

**WHEREAS**, the City Council finds the recommendations contained in the presentation to be reasonable.

### **NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:**

**THAT** the recommendations of Navigant contained in its presentation of June 6, 2006 to the City Council are hereby adopted as follows:

1. The City and the Company should, on an annual basis, identify a set of performance measures that the Company can employ to self-report annual benchmark performance to the City to effectively assess the Company’s performance compared to an agreed upon peer group of companies. This annual activity would facilitate an annual dialogue between the City and Company to assist the City to:
  - a. effectively assess operating cost elements;
  - b. effectively assess performance and customer satisfaction indices; and
  - c. track the Company performance trends to prepare the City to consider issues to be addressed at the end of the current term of the Rate Agreement.
2. The Company should take action to address the condition of the old gas-fired steam units being a major cost liability.

- a. a logical option to reduce O&M costs is to replace them with new, more efficient units (and would also greatly reduce fuel costs); and
  - b. benchmark generation performance (e.g., forced outage rates; net availability factors) using industry standard practices (“NERC”).
3. The Company should develop staffing replacement plans, particularly in the generation function, to address potential retirements.
4. The Company should continue to seek opportunities to deploy new systems and technologies to displace manual processes and enhance operational proficiency:
  - a. GIS (Geographical Information System);
  - b. Outage Management; and
  - c. Customer Information System.

**THAT** the City Manager is authorized to work with the Company toward the implementation of these recommendations.

**(Signature page to follow)**

ADOPTED this \_\_\_\_ day of \_\_\_\_\_ 2006.

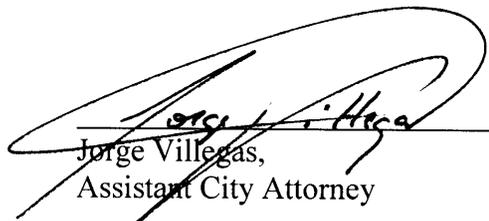
CITY OF EL PASO

\_\_\_\_\_  
John F. Cook  
Mayor

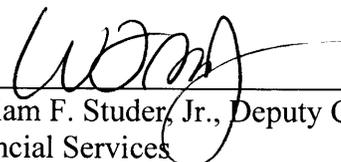
ATTEST:

\_\_\_\_\_  
Richarda Duffy Momsen,  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Jorge Villegas,  
Assistant City Attorney

APPROVED AS TO CONTENT:

  
\_\_\_\_\_  
William F. Studer, Jr., Deputy City Manager  
Financial Services