

City of Pasadena City Clerk 100 N. Garfield Ave., Room 236 Pasadena. California 91109 FIRST CLASS U.S. POSTAGE PAID Pasadena, Ca Permit #484

# PLEMBER, PUBLIC MEARING PLEMBER, PUBLIC MEARING A SSESMIENTS, Charges, Surcharges, Tax, sur Tax, rates, costs, Ammounts Imposts, Tarrif Aprillevies, dues dutys, Scopes, 1007 VS/ANDS These burdens are hard to bear

9110981941 CO24

La tabla 1 muestra las tasas existentes y nuevas y la Tabla 2 muestra ejemplos ilustrativos de impactos mensuales de facturas de clientes.

Tabla 1 Precios CIC existentes y propuestas

	Existente	Nuevas
Agua entregada abril 1 a 30 de	septiembre (verano)	
Area A	\$0.62429	\$1.06715
Area B	\$0.84274	\$1.44056
Agua entregada octubre 1 a 31	de marzo (invierno)	
Area A	\$0.58896	\$1.00676
Area B	\$0.79504	\$1.35902

Tabla 2 Ejemplos ilustrativos de impactos de la factura mensual al cliente en tiempo de invierno

Tipo de cliente por tamaño de medidor	Unidades de facturación (BU)	Pasadena - Actual	Pasadena - Nuevo	\$ Cambio	% Cambio
5/8"	5	\$27.19	\$29.28	\$2.09	7.7%
3/4"	12	\$46.95	\$51.96	\$5.01	10.7%
1"	25	\$101.80	\$112.25	\$10.45	10.3%
1 1/2"	100	\$389.65	\$431.43	\$41.78	10.7%
2"	125	\$518.99	\$571.22	\$52.23	10.1%
3"	300	\$1,251.03	\$1,376.37	\$125.34	10.0%
4"	600	\$2,334.85	\$2,585.53	\$250.68	10.7%
6"	1,400	\$5,017.95	\$5,602.87	\$584.92	11.7%
8"	2,400	\$9,075.38	\$10,078.10	\$1,002.72	11.0%

Cualquier dueño de propiedad, cliente o persona interesada puede presentarse y ser escuchado en cualquier asunto relacionado a los cambios propuestos por el Water Capital Improvement Charge (CIC). De conformidad con el artículo XIII D Sección 6 de la Constitución del Estado de California, las protestas a la propuesta de aumento de agua de Mejoras Capitales (CIC) de carga serán considerados si se presenta antes de la audiencia pública por escrito. Las protestas por escrito deben ser presentadas el 11 de enero de 2016 antes de las 5:00 p.m. o, a la oficina de la secretaría de la Ciudad, 100 N. Garfield Ave. Sala S228 Pasadena, California 91109. Favor de incluir la dirección de la parcela y escriba "cambios propuestos a los cargos de agua CIC" en los comentarios por escrito.

Información relacionada a los cambios propuestos del cargo de agua CIC están disponibles en la Oficina de la Secretaría de la Ciudad o en la página <a href="https://www.pwpweb.com">www.pwpweb.com</a>

Si la parcela o la dirección de la factura de este aviso no reciben los servicios de agua de la Ciudad de Pasadena este aviso no es para usted.



Ronald L. Macksoud, CCRA 1313 Foothill Boulevard, Suite 12 La Cañada, California 91011 Phone: 818.790.1433

Fax: 818.790.2635 Email: Macksoud@earthlink.net

12/18/15

RE: Public Hearing Notice (mplementation of Water System CIC formula

Please register my written protest to the proposed water rate increase on APN 5857-034-004

Mon Mand

# Country View Resident LLC

P.O. Box 80004, San Marino, CA 91118 Tel: 626-289-3706

12/22/15

City of Pasadena City Clerks,

Re: IMPLEMENTATION OF THE Water System CIC Formula.

Parcel number: 5379 018 038 Non Pasadena water user located 6933 N Rosemead Blvd San Gabriel, Ca 91775

We, owner of the apartment, strongly protest the formula. we have paid higher water rate than Pasadena resident for so many years.

We have no choice but have to use your water supply service. Your water billing format never consider that how many family use the water line but only count at meter size. This billing rating formula is unfair already.

So, stop keep making up higher charge on non Pasadena resident but the same human being. We all should have the same equal water right. Stop your discrimination water billing formula.

Best Regards!

Henry **Lo/Owner of** Country View

City of Pasadena, the proposed water Capital Improvement Charge increase. I would like to know how the management to word like to know now me managerous, to exployees are helping in cost savings so that the consumers will not be bearing the full impact of the increase. Are wages being temporary trozen, pay reductions, bonnes payments, etc. I see a great deal of water savings with all the deal lawns, landscoping, there are the constructions of the deal lawns, landscoping, trees, etc. To neostablish those itoms will be a great finicial impact to the public. Enplementation of the water System CK formula

> Thank you, El Kumphy 1770 E. Morada H. Aldadena

genurphy/770@gmail.com

## IMPLEMENTATION OF THE WATER SYSTEM CIC FORMULA

December 31, 2015

Hon. Terry Tornek Mayor, City of Pasadena 100 N. Garfield Avenue Pasadena, CA 91109

SETY CLERK

Dear Mayor Tornek,

##83488 48 WY 95.

This letter provides my comments on the *Notice of Public Hearing to Receive Public Comment Regarding Implementation of the Formula to the Water System Capital Improvements Charge (CIC)* that will be considered by the City Council (Council) on January 11, 2016. In order to provide timely comments, I assume that the November 16, 2015 Agenda Report will be the same as the Agenda Report for the noticed hearing and refer to it here as the "Agenda Report."

The average CIC cited in the Public Notice is misleading. The Agenda Report calculated the proposed CIC system average rate of \$1.09 per billing unit. The Public Notice proposes an average CIC rate of \$0.45 per billing unit increase without citing the total average CIC. The current system average CIC was established as \$0.66 per billing unit by the City Council on July 30, 2007 as reflected in the agenda report for that hearing:

Since 2002, there have been three adjustments to the CIC with the most recent adjustment occurring in July 2006. The planned August 1, 2007 average increase of \$0.12 per Billing Unit (BU) will bring the total CIC to \$0.66 per BU, or approximately \$2.10 per month for a residential customer using 20 BU. The CIC rate varies by season and whether the customer is inside the city limits or resides outside the city limits but within the City's service territory.

An average \$0.45 per billing unit increase from the current average CIC would result in a new average CIC of \$1.11 per billing unit and would be inconsistent with the Agenda Report amount of \$1.09 per billing unit.

The Funding Target Rate used to calculate the CIC is not supported by the Agenda Report. The Agenda Report said (emphasis added) "While PWP normally plans on a cash Funding Target Ratio (FTR) of 35% for capital investment, a ratio of 30% is recommended for FY2016 only" without including the calculation required by the Water Rate Ordinance. The presentation that was introduced by PWP staff to the City Council at its November 16, 2015 meeting included the following calculation of the FTR:

Formula Component	Description	Amount		
CE	5-year average CIC Capital Expenditure	\$10.9		
Α	5-year average Cash Funded CIP (30% of CE)	\$3.3		
В	5-year average Debt Funded CIP (70% of CE)	\$7.6		
DS	5-year average CIC Related Debt Service	\$7.2		
ws	Water Sales in Billing Units	9.6		

FTR	Funding Target Ratio
(A)/(A+B)	\$3.3 million / (\$3.3 million + \$7.6 million) = 30%

The values in the presentation for "A" and "B" are not consistent with the values included in Table A-1 of the Agenda Report that is in the public record:

			Historical Actual/Projected			Forecast				Five-Year Average				
		FY2011	FY2012	FY2013	FY2014	FY2015*	FY2016	FY2017	FY2018	FY2019	FY2020	Historic	Forecast	Change
CIC	-Funded Capital Expenditures													
	Pay-go as % of Total CIC	35%	35%	35%	35%	35%	30%	35%	35%	35%	35%	35%	35%	0%
а	Pay-go CIC CapEx	\$3.00	\$2.60	\$4.30	\$5.50	\$2.50	\$3.00	\$4.30	\$4.20	\$4.60	\$2.50	\$3.58	\$3.72	4%
	Bond funded CIC CapEx	\$5.60	\$4.80	\$8.00	\$10.20	\$4.60	\$6.90	\$8.00	\$7.70	\$8.60	\$4.70	\$6.64	\$7.18	8%
	Total CIC CapEx	\$8.60	\$7.40	\$12.30	\$15.70	\$7.10	\$9.80	\$12.40	\$11.90	\$13.20	\$7.20	\$10.22	\$10.90	7%

The calculation of the FTR using the Agenda Report values would be:

The FTR required by the WRO is 0.341 or 34.1%. If the City Council – on advice of Counsel – determines that it has the discretion to waive the WRO requirement, the language in the Agenda Report requires that the CIC be adjusted again prior to July 1, 2017.

Including debt service payments for bonds to be issued in FY 2017 in the CIC calculation is not allowed by California law. The Agenda report says that (emphasis added) "The projected debt service of \$7.18 million includes increased debt service from an anticipated bond issuance of up to \$40 million in FY2017." In its presentation to the City Council on November 16, 2015 regarding exclusion of the cost of the Non-Potable water Project from the current CIC adjustment, Pasadena Water and Power PWP) staff said:

The current interpretation of Proposition 218 does not allow an agency to recover costs for a project before it is committed. So, as of today that project is now going through its environmental impact process, it's going through the final design phases but this - the construction costs have not yet been fully established so we are not in the position where we can recover construction costs for that project through this rate.

This logic should also be applied to exclusion of a speculative level of bond debt that has not been approved from the CIC calculation since it is not an "actual cost" under Proposition 218.

The Water Supply (WS) amount used in the CIC calculation is unreasonably low. The PWP Interim General Manager wrote in the attached e-mail to me that "Since we are making a mid-year CIC adjustment, sales volumes for the CIC formula are not based on projected FY2016 sales, but rather on a projection for the next 12 months starting January 2016 (when the rate would become applicable)" (emphasis added). The Water Rate Ordinance (WRO), however, specifies that "WS 'Water Sales' is the water system sales for the next twelve months stated in billing units, as projected by the Department at the time the CIC calculation is made" (emphasis added).

The CIC was first calculated for the Municipal Services Agenda Report dated October 23, 2015 and the WRO requires that WS must be based on the projected sales beginning on that day. Furthermore, cumulative conservation reductions reported to the State Water Resources Control Board (SWRCB) through the end of October were 24% and it would be unrealistic to expect that conservation levels would suddenly increase to 28% beginning on October 24, 2015. In fact it should have been anticipated that the Pasadena's conservation reductions would either be sustained at 24% or trend downward. The SWRCB's Climate and Conservation Manager, Max Gomberg, was quoted in the Los Angeles Times on October 2, 2015 as singling out Pasadena's

failure to meet SWRCB goals and saying that achieving its 28% conservation target in the current compliance period would be "a really high mountain to climb." This expectation has been validated by the fact that water conservation has dropped since October 2015 to the current 22% level. As a result, 2 months out of the 12-month period for calculating WS were clearly - and predictably - 6% below the 28% conservation assumption used in calculating the CIC and the WS projection was unreasonably low.

# The inside/outside differential used in the CIC calculation is wrong.

The CIC is calculated differently for those customers that live in the City of Pasadena than for customers that live outside the City. The 2008 RedOak Consulting study that was the basis for changing that rate differential beginning with FY 2010 billings recommended that the differential be revised to 25% and included the following recommended CIC schedule that shows a clear intent that the 25% ratio is to be applied to the CIC:

Table 6-3: Proposed Capital Improvement Charges

Location	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Inside	\$0.63	\$0.63	\$1.06	\$1.06	\$1.06	\$1.32
Outside	0.84	0.84	1.33	1.33	1.33	1.65

The June 22, 2009 Agenda Report that led to the City Council approving the revised the differential recommended:

Change the existing 35% rate differential between inside and outside city
customers to 25% to reflect a rate of return comparable to that allowable for
investor-owned utilities and the level of PWP's investments in its water system;
and

The inside/outside CICs in the Public Notice reflect the use of a 35% differential. The appropriate percentage to use is 25%, which would result in an increase in the "inside" rates and a reduction in the "outside" rates.

The City Council is not empowered to authorize a future change to the CIC in FY 2017 as described in the Agenda Report recommendation. The November 16, 2015 Agenda Report that was approved recommended that the City Council "Authorize implementation of the CIC formula for FY 2017 based upon adoption of the CIP budget." Section 6 of Article XIII D of the California Constitution requires a public notice and public hearing for any a proposed increase of an existing fee or charge for a property-related service being provided to a parcel. California Government Code, Section 53756, makes certain exceptions to that requirement (emphasis added):

53756. An agency providing water, wastewater, sewer, or refuse collection service may adopt a schedule of fees or charges authorizing automatic adjustments that pass through increases in wholesale charges for water, sewage treatment, or wastewater treatment or adjustments for inflation, if it complies with all of the following:

- (a) It adopts the schedule of fees or charges for a property-related service for a period not to exceed five years pursuant to Section 53755.
- (b) The schedule of fees or charges may include a schedule of adjustments, including a **clearly defined formula for adjusting for inflation**. Any inflation adjustment to a fee or charge for a property-related service shall not exceed the cost of providing that service.

(c) The schedule of fees or charges for an agency that purchases wholesale water, sewage treatment, or wastewater treatment from a public agency may provide for **automatic adjustments that pass through the adopted increases or decreases in the wholesale charges for water**, sewage treatment, or wastewater treatment **established by the other agency**.

(d) Notice of any adjustment pursuant to the schedule shall be given pursuant to subdivision (a) of Section 53755, not less than 30 days before the effective date of the adjustment.

An increase in the CIC based on the ordinance formula does not qualify as either 1) a pass-through of an increase in a wholesale cost of water by another agency or 2) an adjustment for inflation and would be subject to the notice, hearing and protest procedures of Article XIIID, section 6 for any increased assessment.

I protest the actions described in the Public Notice and related Agenda Report based on the above concerns.

Ken Kules Pasadena Resident (District 4) 3235 Lombardy Road APN 5377-013-015

cc: Tyron Hampton

Councilmember, District 1

Margaret McAustin

Councilmember, District 2

John J. Kennedy

Councilmember, District 3

Gene Masuda

Councilmember, District 4

Victor M. Gordo

Councilmember, District 5

Steve Madison

Councilmember, District 6

Andy Wilson

Councilmember, District 7

Michael Beck

City Manager

Michele Bagneris

City Attorney

Mark Jomsky

City Clerk

(Transmitted by e-mail)



Ken Kules <kules.ken@gmail.com>

# **Comments On CIC Adjustment**

1 message

Klinkner, Eric <eklinkner@cityofpasadena.net>
To: "kules.ken@gmail.com" <kules.ken@gmail.com>
Cc: "Thomas, Shari" <sthomas@cityofpasadena.net>

Mon, Nov 16, 2015 at 3:52 PM

Hi Mr. Kules

I wanted to provide you with a couple of clarifications on numbers you relied on in your latest comments.

With respect to the fiscal year capital budgets you laid out on page 1 of your comments:

- The CIC formula relies on the average capital expenditure "cash flows" for a five-year period
- In general, the budget appropriations adopted by the City Council for any given fiscal year typically do not match the cash flows because unspent prior year appropriations are carried forward
- Specifically, the FY2016 capital expenditure cash flows used for the CIC formula are different from the FY2016 appropriations

With respect to your discussion of future water sales on pages 3-4:

- The CIC adjustment formula relies on a water sales projection for the next 12 months
- Since we are making a mid-year CIC adjustment, sales volumes for the CIC formula are not based on projected FY2016 sales, but rather on a projection for the next 12 months starting January 2016 (when the rate would become applicable)
- Consistent with State- and City Council-adopted policy, we are assuming that we will meet the 28% sales reduction target versus the CY 2013 baseline
- The state database shows our net production (not retail sales) at approximately 33.05 AF (14.397 million BU). Net production is higher than billed retail sales volumes because it includes "unaccounted for water" such as losses, fire flow, stuck meters, etc.
- Our actual billed CY2013 retail sales were 13.295 million BU. Projecting out a 28% reduction yields 9.571 million BU. We rounded this up to 9.6 million BU for calculating the CIC.

I hope these clarifications are useful.

Eric R. Klinkner | Interim General Manager



150 S. Los Robles Ave #200 | Pasadena, CA 91101

(626) 744-4478 | eklinkner@cityofpasadena.net | PWPweb.com |



### PASADENA

Pasadena Laundry
2585 E. Colorado Blvd, Pasadena 91107 - Inc. (004) 1433 Glengarry Rd, Pasadena 91105 - 6, 11, 12, address

January 4th, 2016

City Council of Pasadena In C/O Office of the City Clerk 100 N. Garfield Ave, Room S228 Pasadena, CA 91109

RE: Protest to Proposed Water Capital Improvement Charge Increase

Dear City Council,

Included in this written protest are:

- Copies of 178 letters from August September 2010
- 15 pages of email correspondence regarding this matter

I have been discussing the issue of the restructuring of the water blocks and addition of block 4 with you for over five years. Five years ago, PWP, the City Manager and the water Council headed by Councilwoman McAustin promised that there would be a study done to address how water pricing for businesses could be implemented to be more fair.

To this day, it has not happened.

My protest has been consistent. Without belaboring all of the points I have been making, I will reiterate the two points that the City Manager, PWP, nor Ms. McAustin has even attempted to answer in the five years we have been discussing this top. These key points are:

- Why 55% 60% of our water penalized? Tiers 3 and 4 are clearly penalties. Our business is helping PWP conserve water and lower impact to sewer. We should be recognized for this, not continually penalized.
- Why has there been nothing published about any research what was promised to address how commercial businesses are and should be charged for water? We were told there would be research done but nothing has been delivered?

Before the changes made in 2009 and 2010, **well over 99%** of our water were in blocks 1 and 2. Now 55%-60% of our water is in blocks 3 and 4.

Our laundry serves lower and middle income families in the community. The doubling of our water costs has been passed onto these families over the years and by necessity will continue to.

I think you will understand my pessimism that this letter will result in anything different from anyone in the City of Pasadena. You will implement the increases and we will continue to pay penalties for our water usage.

The complete lack of action and any attempt by the City of Pasadena to answer why our water is still being PENALIZED has been disappointing to say the least.

Sincerely,

Peter Lowin
Owner

626-676-9290

perenjewin@gmid com

cc: Mayor Terry Tornek

From: Peter's Gmall peter.lowin@gmail.com

Subject: Re: Water

Date: May 7, 2015 at 5:54 PM

To: Michael Beck mbeck@cityofpasadena.net

Cc: Margaret McAustin mmcaustin@cityofpasadena.net, Thomas, Shari sthomas@cityofpasadena.net, Masuda, Gene

gmasuda@cityofpasadena.net, Phyllis Currie PCurrie@cityofpasadena.net

Bcc: Pappa Lowin peter.lowin@gmail.com

Mr. Beck,

I genuinely appreciate you taking the time to reply to my email. I am sure that you and your office is extremely busy and taking the time to again reply to someone who can seem a little bothersome on this issue shows that you've at least made an effort to communicate. It is certainly more than any support we have received from our district council.

Your reply is quite polite but certainly does not address the two core concerns that I have been repeatedly raising;

Why is much of our water penalized? Tiers 3 and 4 are clearly penalties. I do not recall there being a reduction in block 4 and if it
was, it must have been quite minor. Again and again, our business is helping PWP save and conserve water. We should be
recognized for this, not continually penalized.

 Why has there been nothing published about any research what was promised to address how commercial businesses are and should be charged for water? We were told there would be research done but nothing has been delivered?

Yes, we received a nominal rebate block 5 water in 2010. You and Ms. Currie remind us of this as if that resolved everything. Like I said, it was less than \$1500 and it was on charges that should never have been charged in the first place. Getting rid of block 5 does not resolve the issue at hand here. Why should our business be charged block 3 and 4 rates at all?

Let's forget the constitutionality of whether tiered rates are legal. I only used the articles as a reminder that the city of Pasadena has done nothing towards making water a more equitable situation for businesses like ours.

As of today, we have over 23 years left on our lease (we recently signed an extension). We plan on being there at least until then. We provide a valuable and positive contribution to that neighborhood and we'd like to think to the city of Pasadena. My wife and I enjoy owning this business because we have loyal and appreciative customer base. And at every opportunity, I complain about how difficult the city of Pasadena is to deal with. I have too many examples and too many citizens who agree with me. We have been fortunate to have been successful in a couple of other business endeavors, one of them being in Burbank so our perspective is not completely narrow.

In 2008-2010, PWP unfairly made up its revenue shortfall on a concentrated # of businesses. I have lived in Pasadena for 25 years. During 2008-2010 period, the water at my home increased maybe 10%. Why should residents and some businesses be increased a nominal rate while businesses like ours almost doubled?

<u>Double the rate at 30 years turns out roughly to be \$540,000</u> for one small business on E. Colorado Blvd. And this is just at the current rates, not calculating in future rate increases to come. Boy, that \$1500 sure did come in handy.

Again, I do appreciate you taking the time to communicate with me at all. But in all of our exchanges, the couple of emails I received from Ms. Currie and Ms. McAustin, no one has addressed my two core aforementioned questions. I will continue to patiently wait.

Thank you so much for having this exchange with me. It is most appreciated. If anything, your replies console me a little bit. It at least makes me feel that I am being acknowledged somewhat.

Sincerely,

Peter Lowin

On May 7, 2015, at 3:54 PM, Beck, Michael <mbeck@cityofpasadena.net> wrote:

Mr. Lowin,

I was just getting ready to send you the following email and noticed you send this email this morning. I believe my response to your earlier email is equally responsive to the one today.

Thank you for your recent email regarding Pasadena's water rate structure. I appreciate that you included our past communication to provide context for your ongoing interest in the cost of water in Pasadena and your concerns about the tiered rate structure currently in place. You are certainly correct in your assessment of the extreme importance of conserving water during this period of extreme drought in California. Pasadena is facing historic challenges with its water supply, and all



customers, both residential and commercial, will be required to make significant changes in water usage to ensure that critical supplies remain available.

Pasadena Water and Power Department ("PWP") staff have continued to evaluate the current water rate structure since the adoption of the rate revisions in 2010. You may recall that the rates for block 5 were eliminated and block 4 rates were reduced when it was determined that the City successfully avoided the need to purchase water at the much higher costs of the Metropolitan Water District's ("MWD") penalty tiers in place at the time. A credit was also authorized by the City Council for customers who had paid for water at block 5 rates. The credit was applied to relevant customer bills in December 2010. It is my understanding that your commercial laundry operation received a credit at that time. After the rate reductions were made to block 4 and block 5 was eliminated, it was determined that the revised tiered structure was appropriately recovering costs from PWP customers. That rate structure remains in place at this time.

With regard to the recent appellate court decision concerning the tiered rate structure in the city of San Juan Capistrano, it is important to distinguish that the decision did not rule that tiered rates are unconstitutional, only that they must be cost based. San Juan Capistrano has a "water budget" based rate structure, and the tiered pricing was determined to be inconsistent with Article VIII D (Proposition 218) of the California Constitution because the pricing of each tier did not correspond to the actual cost of providing service at the given level of usage. The ruling confirmed the use of tiered (inclined) rates in relation to usage if the pricing corresponds to actual costs.

PWP staff will be updating the water rate model during the next budget cycle to determine whether the rate structure remains compliant with the principles of Proposition 218. The current rate structure does not recover revenues in excess of total costs, but it is imperative to ensure that costs are recovered correctly from our customers. As a result of the current historical drought conditions, Pasadena's water deliveries from MWD have been reduced by 15%, and the potential again exists for PWP to pay penalty rates for water purchased in excess of the reduced allocation. In addition, Governor Brown has issued an Executive Order mandating the reduction of water usage in Pasadena by 28%. These factors will be considered during the process of updating PWP's water rate model.

Mr. Lowin, I appreciate your concerns about the impact of Pasadena's water rate structure on your commercial laundry business. Communication with our customers is a very important aspect of developing water rate policy for the City of Pasadena. We will continue to inform you and all of our customers about developments in the water supply and cost challenges facing Pasadena during this unprecedented drought.

Thank you,

...Michael

Michael J. Beck

City Manager • City of Pasadena Ph. (626) 744-4333 • <u>www.cityofpasadena.net</u>

<image001.jpg>

From: Peter's Gmail [mailto:peter.lowin@gmail.com]

Sent: Thursday, May 07, 2015 9:45 AM

To: Peter Lowin

Cc: Beck, Michael; Haderlein, Steve; McAustin, Margaret; Thomas, Shari; Masuda, Gene; Currie, Phyllis

Subject: Re: Water

Below is an excerpt from another article.

An appeals court last month struck down a tiered rate system in one city that charged more for water than the cost of providing it — a decision that has broad implications across the state. Now, agencies must prove that the high water rates for heavy users are not meant as punishment but actually reflect the cost of delivering the extra water.

The justification to charge much higher tiered rates for our laundry are completely unfair. Originally, tiered rates were implemented for residences because it charged higher rates for households who used more water on a per household or closer to per capita basis. If you had pool or very large yard, you were charged at a higher rate than a household who did not.

For businesses like ours, it is completely inappropriate because our water usage on ANY basis is lower no matter how or who you compared us to. For example, if you looked at it on a per customer, per washer, per pounds of clothes, or even simply compared us to comparable other laundromats, we use much less water. Why should the second half of the volume that our business uses be charged so much more?

At this point, I know you all agree. You agreed with our situation five years ago. However, nothing is being done about it. The city seems content with this completely inappropriate situation.

Sincerely,

### Peter Lowin

On Apr 30, 2015, at 1:18 PM, Peter's Gmail < peter.lowin@gmail.com > wrote:

Oops, I forgot to include the link to the LA Times article.

http://www.latimes.com/local/lanow/la-me-ln-water-rates-case-20150405-story.html

### Peter

On Apr 30, 2015, at 1:18 PM, Peter's Gmail < peter.lowin@gmail.com > wrote:

Hello Ms. McAustin and Mr. Beck,

about five years ago, you replied below.

Mr. Lowin,

You have described one of the key reasons why we are exploring water based budgets as an alternative to our current rate structure. Water budget based rates focus on charging rates that encourage conservation based on the ability of each user to reduce their use.

That means that we need to provide each resident and business an allocation of water based on what they should be using and if they use more then their allocation, they will be charged higher rates. Although this is very specific and will likely result in greater conservation since higher rates are charge only to those that can conserve, the fact that nearly every customer has a unique water budget we end up with nearly 44,000 different rate plans. Staff has been collecting the data the past many months and the City Council is scheduled to consider the concept in the coming months. There is still much to do, but we continue to move forward.

### ...Michael

Michael J. Beck City Manager City of Pasadena (626) 744-7927

At that time, we were also told by the city council that they would be researching ways to more appropriately price water, especially businesses. My complaint back then and still now is that the tiered water system is completely unfair. It pushed a good portion of our water into tiers 3 and 4 which are penalty rates which resulted in exactly what PWP told me would not happen with the new proposed rates back then which was to double our water bill in two short years.

Water conservation and finding alternative sources of water is even more vital now than it was back then. I am happy to have the agreement of the California states appeals which recently ruled that the tiered rate system is unconstitutional.

The the process of upgrading and expanding our laundry in 2012, we had exchanges and meetings with Steve Mermell and Dan Hix regarding a large sewer impact fee. The city agreed to lower the exorbitant permit fee because they agreed with me that when residents use our laundry, we help the city lower water usage and impact to sewer.

We have always and continued to invest in the most water and energy efficient washers available (at a premium I might add). Therefore, when people use our facility and services, there is less usage of older outdated water inefficient machines.

It is more than five years later and I have not heard of any research done related with what you promised and the city council has promised. This tiered system must be changed. Three years ago, we built a new laundry in the city of Burbank. They do not have a tiered system.

I look forward to your responses regarding this important matter.

Sincerely,

Peter Lowin

On Aug 25, 2010, at 5:52 PM, Peter Lowin peter.lowin@gmail.com> wrote:

Mr. Beck,

I thank you whole heartedly for this explanation. It does help me to understand more than with prior explanations. I really do appreciate it. Now that I understand it better, I would like to offer my final two cents on the topic.

As I mentioned, I am not qualified to make judgments about the merits of the tiered pricing system. The fact that PWP is not the only municipality to use the tiered system does not make it a valid or a fair system. The fact that the California prison system is completely unionized does not make it the system to model after.

I have understood that our business was not the only one being penalized. However, I do think that our business is the example in which the current system is flawed.

I think everyone would agree that an important component of a new rate system is one that has a more effective and fair penal/reward system. This would probably entail some consideration for the business type rather than just solely on meter size. Businesses who are more water efficient for their business type should be either penalized less (or rewarded more) than a comparable business who are less efficient.

Yes, we have minimized the size of the rate increase through our efforts. I wish there was more that we could do. Even PWP's audit shows that there's simply nothing else we could do to reduce our water usage.

Therefore, an impact of 50% to businesses like ours seems quite unfair when the City only needed to make up only 10%. Should I be happy that the increase is not 75% or 100%? Maybe, but I still think it's quite unfair. Had I known this would have happened six years ago, I might have pursued to see if a larger meter would have made sense.

It seems to me that a more equitable way to increase water revenue would have been to increase all existing rates by the same percentage. This would have spread out the increase evenly and fairly. The whole penalizing based on meter size just doesn't register to me.

Based on our recent exchange, I am more hopeful than before that a more equitable water rate structure will be implemented quickly. I think we would all rather attract businesses to operate in Pasadena rather than repel them.

Thank you again for your time and willingness to openly exchange on this topic.

### Peter

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From: Michael Beck < mbeck@cityofpasadena.net >

**Date:** Tue, 24 Aug 2010 18:45:53 -0700 **To:** Peter Lowin < peter.lowin@gmail.com >

Cc: Steve Haderlin < haderlein@earthlink.net >, Bill Bogaard < bbogaard@cityofpasadena.net >, Margaret McAustin < mmcaustin@cityofpasadena.net >, "Thomas, Shari"

<<u>sthomas@cityofpasadena.net</u>>

Subject: FW: Pasadena Laundry (Water Rates)

Mr. Lowin.

I am sorry our answers have not been clear and responsive to your requests, but we will keep trying.

Prior to last year, there were only 3 tiers in the water rate structure. When the additional tiers were put into place, the water allocations to the existing three tiers were narrowed and the higher end of tier 3 was broken into two additional tiers, 4 and 5. Those tiers, as with the others were priced entirely based on usage. If the customer is a high water user, they would end up in the higher cost tiers.

Tiers 4 and 5 were referred to as "penalty tiers" since they related to the penalty tiers that MWD would impose if Pasadena's total water consumption did not meet the reduction targets. The rate structure focused exclusively on water usage and varied based on meter size to reflect higher water users. The so called "penalty" was based on water usage over a certain volume. The table below shows the amount of water allocated to each tier before and after the rate adjustments were approved by City Council in June 2009 for a 2" meter:

Blocks Billing Units Before Rate Adjustment Billing Units After Rate Adjustment Price per Billing Unit Before Adjustment Price per Billing Unit After Adjustment

- 1 0-50 0-48 \$0.98399 \$0.91037
- 2 51-325 49-188 \$2.3530 \$2.50351
- 3 > 325 189-290 \$2.41077 \$3.00421
- 4 Did not exist 291-405 Did not exist \$5.00701
- 5 Did not exist >405 Did not exist \$7.51052

The fact that you had a 2" meter means that you were allotted more billable units in the lower tiers then someone with a 1" or smaller meter. Those with 4" and larger meters were correspondingly provided more units per tier. This was done in order to reflect higher allocations of water for traditionally larger users and reflects that fact that the users of larger meters had paid a higher connection fee and continue to pay higher monthly fixed charges in anticipation of utilizing more water than say a residential user with a 1" meter. This is not a perfect system for allocating water, but common.

In order to stay out of the higher tiers, the customer would need to use less water so that they stayed in the lower tiers. For many large water users, they were not able to reduce their water use and therefore were charged the corresponding rates based on their usage. The vast majority of all users reduced their overall usage which kept them out of the higher tiers or enabled them to reduce the number of billable units they were being charged for.

We understand that you have worked hard to reduce your water usage and we applaud you for that. As a result, you are likely using significantly less water than you would have otherwise used and been billed for. Although it sounds like your usage was still high enough to be in tier 4 based on total water used, you most likely saved overall compared to what your bill would have been with the new rate structure without reduced usage.

The City Council recently approved a credit to water customers since our customers across the city reduced their overall water use during fiscal year 2009 and we successfully avoided MWD penalty tiers. A credit will be provided to you and other water users for the amount paid for water purchased in block 4 (& 5), effectively bringing you back to paying block 3 rates for that water. Although the amount of the credits has not been finalized, we anticipate that you will receive a credit applied to your bill of approximately \$1,300 beginning in December of this year.

PWP and the City Council are considering alternative rate structures, such as those that are water budget based, in an attempt to more accurate relate higher rates to users who should be able to reduce their usage, instead of simply on volume of use. It is conceivable that you might benefit from such a system and other users who possibly use less water, but could save more, would have higher rates for their excess usage.

Please remember that your business has not been singled out or treated any differently than any other customer. You receive the

same anocanon and charges for water as any other user with a  $\angle$  meter. Let me know if this helps answer your question. If not, please let me know and we will keep trying. Sorry this seems so difficult to explain.

...Michael

Michael J. Beck City Manager City of Pasadena (626) 744-7927

From: Peter Lowin [mailto:peter.lowin@gmail.com]

Sent: Tuesday, August 24, 2010 7:38 AM

To: Beck, Michael

Cc: McAustin, Margaret; Bogaard, Bill; Haderlein, Steve

**Subject:** Re: Pasadena Laundry (Water Rates)

Mr. Beck,

I have taken a few days to respond to your reply so that I could remain respectful to your position and professional. However, I am disappointed at your reply because it did not actually answer my questions. The answers you gave were answers that I received from Phyllis Currie, already.

Phyllis and the PWP have been very helpful to me and my business but in over a year, they have not been able to address these very specific questions. Which is why I went to Ms. McAustin and now you. The answers describe how the current water rates are charged. I know this. In either case, I am not in a position to judge the merits of the tiered rate structure.

I have been charged in Blocks ever since we opened the business. So, my issue is not the block structure itself.

Therefore, I will break my goals into just one question at a time. The first question I am trying to get an answer to is this:

"Why is my business being charged a penalty for our water?".

Last year, the Blocks were restructured to be more narrow. Prior to July 1, our water usage all fell within Blocks 1-3. Afterwards, more of our water usage went into the higher blocks including into Block 4.

Prior to this change, we were never in Block 4. Block 4 and 5 are penalty rates. "Penalties" by definition are charged because we did something wrong.

I do not know what we have done wrong. Our laundry is by any measure a very water efficient laundry. We have made significant investments to be as Green as possible which includes having some of the most water efficient washers available anywhere. We made these investments prior to opening and in only 6 years, have replaced over half of our washers already. When Pasadena citizens use our laundry, it helps the City save water.

Therefore, please address the question of "Why is my business being charged a penalty for our water?".

Had the Blocks not been restructured, we would have paid the same water increases as everyone else because the the rates in every block were increased. However, this was not enough. Someone decided that we should be charged a penalty simply because we have a 2 inch meter. Does that make sense to anyone?

Mr. Beck, I implore you to take care to really understand what I am trying to get at. I am simply trying to get someone in this great city to acknowledge that something is wrong, here. Through this entire process, the thing that I have found MOST frustrating is finding someone who will actually hear me rather than to be dismissive of my concerns.

My understanding is that Ms. McAustin and the MSC actually decided the rate change. The PWP simply is the operation and you have told me that you are responsible for executing the decisions made by the City council. I came to you because I did not know where else to go. I am sure that you are the person and the office to help me.

Please help me to get my question answered.

Sincerely,			
Peter			
F	 	 	 

From: Michael Beck < mbeck@cityofpasadena.net >

Date: Fri, 20 Aug 2010 12:13:58 -0700

**To:** Peter Lowin < <u>peter.lowin@gmail.com</u>> **Subject:** RE: Pasadena Laundry (Water Rates)

Mr. Lowin,

Please see my comments to your questions below. Let me know if you have additional questions.

Thanks

...Michael

Michael J. Beck City Manager City of Pasadena (626) 744-7927

From: Peter Lowin [mailto:peter.lowin@gmail.com]

**Sent:** Monday, August 16, 2010 10:26 PM

To: Beck, Michael

Subject: Re: Pasadena Laundry (Water Rates)

Mr. Beck,

Thank you for your prompt response. Since you have not offered for anyone to talk or meet with me, I will ask you questions that have not been answered with the first being one that I've asked over and over again but, yet, has not been addressed.

Was it intentional to penalize businesses like mine with the changes that were made in 2009? If so, was there any thought to have us being able to work our way out of the penalty? In either case, WHY is my business being penalized? The answer cannot just be because we have a two inch water meter.

PWP's tiered water rate structure is based on the amount of water usage and not on specific business characteristics. Meter sizes are utilized to determine that amount of water allocated to each Block. Block rates are a common pricing structure within the water industry. They are designed as a progressively increasing price structure to reflect the higher cost of water used in the higher blocks. Although not all water agencies use a block structure, it is widely considered a structure that fairly reflects the increasing costs of water obtained from various resources.

Was it by design to make up the needed additional revenue of 10% for water by increasing water bills to businesses like mine by 50% in just one year? If so, please belong to understand

why.

The rate system took into account increased costs of water from production and water purchases, as well as the increase that needed to occur as a result of incentives and other initiatives to reduce the total number of units of water used citywide. In other words, overall costs were going up and the number of units of water to spread our existing costs and the increases were lower; therefore the increase in retail water rates would increase on a per unit basis more than our gross expenses. The price per unit of water in each block is the same for all customers, regardless of the type of business.

As a reminder, customers who fell into blocks 4 and 5 last year will be receiving credits for those amounts in the coming months. Block 5 no longer exists in our revised rate structure and block 4 rates were reduced.

As you can tell, I am frustrated by this situation. The most frustrating part is that not one city official I've corresponded with has answered these questions let alone acknowledge to me that this is happening.

I am including a copy of a previous correspondence from PWP General Manager Phyllis Currie that attempted to be responsive to your concerns. I have attached a copy for reference.

As the person in charge of understanding and implementing the changes affecting the city, I hope that you will answer these questions. Thanks again.

reter				

From: Michael Beck <mbeck@cityofpasadena.net>

Date: Mon, 16 Aug 2010 20:12:35 -0700

To: Peter Lowin < peter.lowin@gmail.com >
Subject: RE: Pasadena Laundry (Water Rates)

Mr. Lowin,

Datas

I am familiar with the issue you are raising and would like to thank you for the efforts you have undertaken to make your business more water efficient. The current rate structure basis rates on volume and water meter size. Rates that give consideration to the ability of users to actually reduce their water use is contemplated in the proposed Water Based Budget rate structure. The concept is currently scheduled for discussion at either the October 12th or 26th MSC meeting. The Agenda's are posted on our website at

http://ww2.cityofpasadena.net/waterandpower/agendas/msc.pdf the Friday before the meetings.

To answer your other question, as the City Manager, I am the equivalent of the CEO for the City organization with the responsibilities of managing the operations of the entire organization and implementing policies developed by the City Council.

Let me know if you have any additional questions.

...Michael

Michael J. Beck City Manager City of Pasadena (626) 744-7927

From: Peter Lowin [mailto:peter.lowin@gmail.com]

Sent: Monday, August 16, 2010 5:34 PM

To: Beck, Michael

Subject: Pasadena Laundry (Water Rates)

Dear Mr. Michael Beck,

You have been copied on email exchanges between myself, Councilwoman McAustin, PWP GM Phyllis Currie, and even my district Councilman Haderlein regarding the City of Pasadena and the changes in water rates.

Councilman Haderlein and PWP have both been supportive since the beginning of this issue. I have been working with PWP for quite some time but they do not make decisions regarding water rates. My understanding is the a committee called the MSC headed by Ms. McAustin.

Ms. McAustin has not been helpful regarding my concerns. She has only been dismissive and patronizing to the real issues and questions that I have brought to her attention. She has not open to discussing this issue with me further, it seems.

I have reached out to the Mayor but I understand that much of the city is out during the summer and he has not responded to my contacts to him. I am hoping that you can point me in the right direction. I am not a politician. I am a business owner and resident. With whom can I reach out to so that I am more effective on this issue? I would like to meet with an appropriate city official in person or on the phone to discuss why my business is being charged penalties for water usage when our business helps the city actually save water.

I do not know what the Office of the City Manager is responsible for but I am hoping that at least you will hear and listen to one of your business owners and residents about an impassioned issue.

You can even refer me to one of your Assistant Managers to start but I need some guidance here.

Thank you for your time and attention to this email.

Sincerely,

Peter Lowin 626-676-9290 www.pasadenalaundry.com date: Sept. 15.2010

City Manager Michael Beck Councilwoman Margaret McAustin 100 N. Garfield Ave, Room S228 Pasadena, CA 91109

RE: Pasadena Laundry

Dear Mr. Beck and Ms. McAustin,

I am a loyal customer of Pasadena Laundry. I patronize this business because it is well run and they care about their customers. As a result of their water bill increasing by a whopping 50% in one year, they have needed to raises the prices they charge to me.

I am writing to you to express that I think that water rate increases implemented in 2009 is extremely unfair to this business.

I do not understand why they continue to be charged a penalty for their water usage when they have spent thousands of dollars to upgrade their equipment to be as water efficient as possible. One of the reasons why I come here is because they have water efficient machines and the fact that this is one of the "greenest" laundry facilities in the City.

I think that it is unfair that even though there was only a 10% increase to rates that PWP was charged for water, Pasadena Laundry's water rates increased by 50% in just one year.

I urge you to change this rate structure as soon as possible. Thank you for your consideration.

Sincerely,

cc: Mayor Bill Bogaard

date: 9-15-10

City Manager Michael Beck Councilwoman Margaret McAustin 100 N. Garfield Ave, Room S228 Pasadena, CA 91109

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Sincerely,

cc: Mayor Bill Bogaard

09/17/2010

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I urge you to change this rate structure as soon as possible. Thank you for your consideration.

Sincerely, Marisa Hornalez

2272 Colorado Bl. 8tc 1338

Los Angeles CA 90041

Mayor Bill Bogaard cc:

date: 9/10/10

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