

Agenda Report

June 14, 2010

TO: City Council
FROM: General Manager, Water and Power Department
SUBJECT: PUBLIC HEARING FOR THE PROPOSED WATER RATE ADJUSTMENTS

RECOMMENDATION

It is recommended that the City Council:

- (1) Conduct a public hearing to receive public comment on the Proposed Water Rate Adjustments to:
 - (a) Eliminate Block 5 allocation and rates and reduce Block 4 rates by 25%, effective July 1, 2010;
 - (b) Discontinue Block 5 relief, effective July 1, 2010;
 - (c) Discontinue refund or credit of water purchased for blocks 4 and 5, effective July 1, 2010; and
 - (d) Increase the Purchased Water Adjustment Charge (PWAC) by 9.5¢ per billing unit effective October 1, 2010 and by 12¢ per billing unit effective October 1, 2011.
- (2) Have City Clerk or department representative report on timely written protests received.
- (3) Close the public hearing.
- (4) Direct the City Attorney to prepare an ordinance amending the Pasadena Municipal Code Section 13.20 in accordance with the City Council's action on this matter.

MUNICIPAL SERVICES COMMITTEE

This information was presented to the Municipal Services Committee at its meeting on April 13, 2010. No specific action was requested.

EXECUTIVE SUMMARY

On April 19, 2010, the City Council established a date of June 14, 2010 to conduct a public hearing to receive public comment on the proposed water rate adjustments. A staff report was presented to the City Council at the April 19 meeting to provide complete information about the proposed rate increases. Pursuant to the requirements of Proposition 218, a public notice was mailed on April 28 and 29, 2010 to all property owners/tenants and rate payers of record regarding the date and time of the public hearing and the proposed water rate adjustments. The notice included the process by which written protests to the proposed water rate changes may be submitted. A copy of the public notice mailed to property owners/tenants and rate payers is attached. Pasadena Water and Power (PWP) also posted the public notice and related information on its website.

One written protest per parcel, filed by an owner or tenant of the parcel, shall be counted in calculating a majority protest for purposes of Proposition 218. Receipt of written protest by a majority of property owners or rate payers would prevent the implementation of the proposed water rate adjustments.

BACKGROUND

PWP is proposing to modify the water commodity rates by eliminating Block 5 water allocation and rates and reducing Block 4 water rates by 25 percent, discontinuing the Block 5 relief program, and discontinuing refund or credit of water purchases under Blocks 4 and 5 for water delivered beginning July 1, 2010. The approved credit to customers for sale of water in Blocks 4 and 5 during fiscal year 2009 will remain in place. PWP is also proposing to increase the PWAC by 9.5¢ per billing unit, effective October 1, 2010 and by 12¢ per billing unit, effective October 2011. A billing unit is equivalent to 748 gallons of water.

The proposed water rate adjustments are in response to several changes in Pasadena's water resources and the result of significant conservation efforts by PWP's customers during the past year. In April 2009, the Metropolitan Water District (MWD) announced a supply allocation plan for fiscal year 2010 that reduced allocations of water to each member agency. In June 2009, Pasadena's water rate structure was amended to include higher priced Block 4 and 5 water commodity rates to encourage water conservation, provide the necessary price signals required to achieve the desired water conservation objectives of reducing water demands by ten

percent, and recover higher costs of purchased water in excess of PWP's allocation from MWD including the cost of higher penalty rates, if any.

Subsequent to the initial reduced allocation, Pasadena's allocation was increased by MWD to reflect changes in base year calculations and the application of a population growth factor. As a result, it is not expected that PWP will be required to purchase water at MWD's penalty rates as long as Pasadena's customers continue conserving water.

Customers have responded very favorably to the requests for water conservation, in part due to the price signals presented by the implementation of Blocks 4 and 5. The average rainfall levels over the past winter also provided customers with an opportunity to reduce outdoor irrigation. The result has been a reduction in water usage from the previous year of nearly 13%.

This proposal reflects PWP's reassessment of potential MWD water penalty costs and it will eliminate the higher priced Block 5 rates and reduce the Block 4 rates by 25 percent. It will also terminate the Block 5 relief program that is currently provided to customers who use water within Block 5 and eliminate the potential refund or credit of water purchases under Blocks 4 and 5. The incremental rate for water sold in Block 4 will generate revenue to fund conservation programs, retain the necessary price signal to encourage continued conservation and offset potential penalty costs from MWD.

Purchased Water Adjustment Charge (PWAC)

MWD which provides approximately 65% of PWP's water recently approved two rate increases of 7.5% each, effective January 1, 2011 and January 1, 2012. As a result, it is necessary for PWP to adjust its PWAC accordingly to offset increases in the cost of imported water. The existing Water Rate Ordinance authorizes the General Manager of PWP to adjust the PWAC to pass through incremental costs of purchased water from MWD and other water suppliers.

Proposition 218 Requirements

In November 1996 Proposition 218 was approved by California voters with the intent to ensure that all taxes and most charges to property owners are subject to voter approval and to further limit the use of assessments and property-related fees to pay for general governmental services rather than property-related services. In July 2006, the California Supreme Court ruled that water rates are property-related fees for Proposition 218 purposes. California Government Code Section 53756 provides that a water agency may authorize automatic adjustments that pass through increases in wholesale costs for water from a public agency such as MWD for a period not to exceed 5 years.

Customer Bill Impact

The monthly bill for a sample residential customer using 55 billing units per month who consumes water from Blocks 1 to 5 will decrease by \$45.84 or 18% as a result of the proposed water rate adjustments. This example does not account for a refund or credit for water used in Blocks 4 and 5 under the existing Water Rate Ordinance. The monthly bill for a sample residential customer using 32 billing units per month who consumes water from Blocks 1 to 3 will increase by \$2.98 or 2.9% as a result of the proposed water rate adjustments. The two examples include the second of three Distribution and Customer Charge (D&C) increases which will go into effect on July 1, 2010 as previously approved by the City Council

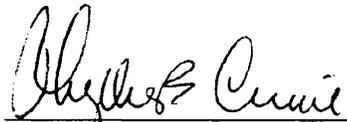
COUNCIL POLICY CONSIDERATION

Water conservation goals are included in the Urban Environmental Accords Goals, the General Plan Conservation Element. The Comprehensive Water Conservation Plan adopted by Council in 2009 included the use of water rate “price signals” to encourage customers to conserve water. If City Council approves the rate adjustments, the price signal for customers to conserve water will still be in place, but at reduced levels as compared to current water rates.

FISCAL IMPACT

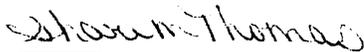
The proposed water rate adjustments including the October 2010 PWAC increase will increase the Water Fund operating revenues and the transfer from the Water Fund to the General Fund by approximately \$2.43 million and \$0.15 million, respectively in FY 2011. The proposed water rate adjustments including the October 2011 PWAC will increase the Water Fund operating revenues and the transfer from the Water Fund to the General Fund by approximately \$2.87 million and \$0.17 million, respectively in FY 2012.

Respectfully submitted,



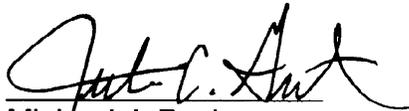
Phyllis E. Currie
General Manager
Pasadena Water and Power

Prepared by:



Shari M. Thomas
Assistant General Manager
Pasadena Water and Power

Approved by:



Michael J. Beck
City Manager

Attachment:

1. Notice of Public Hearing – Proposed Water Rate Adjustments



In compliance with Article XIII D of the California State Constitution and the Proposition 218 Omnibus Implementation Act, the City of Pasadena is hereby notifying all affected water customers of the proposed water rate adjustments. These are proposed water rate adjustments; the final water rate adjustments adopted by the Pasadena City Council may be different.

PUBLIC HEARING INFORMATION

The Pasadena City Council will hold a public hearing on June 14, 2010 at 7:30 p.m. in the City Council Chambers at 100 N. Garfield Avenue, Pasadena, CA 91101 to receive public comment regarding the proposed water rate adjustments:

1. Eliminate Block 5 Allocation and Rates and Reduce Block 4 Rates by 25%, Effective July 1, 2010
2. Discontinue Block 5 Relief, Effective July 1, 2010
3. Discontinue Refund or Credit of Water Purchased for Blocks 4 and 5, Effective July 1, 2010
4. Increase the Purchased Water Adjustment Charge (PWAC), 9.5¢ Per Billing Unit Effective October 1, 2010 and 12¢ Per Billing Unit Effective October 1, 2011

Any property owner or interested person may appear and be heard on any matter relating to the proposed water rate adjustments. Written protests to the proposed water rate adjustments will be considered if submitted prior to the public hearing. Written protests must be submitted on or before 5:00 p.m. on June 14, 2010, to the Office of the City Clerk, 100 N. Garfield Ave. Room S228, Pasadena, California 91101. Please include the parcel address and write "Proposed Water Rate Adjustments" on your written comments.

Information regarding the proposed Water Rate Adjustments is available at the Office of the City Clerk, online at www.PWPweb.com, or by calling 626-744-4005.

If the parcel or billing address on this notice does not receive water service from the City of Pasadena, this notice does not apply to you.

PROPOSED WATER RATE ADJUSTMENTS

1. Eliminate Block 5 Allocation and Rates and Reduce Block 4 Rates by 25%, Effective July 1, 2010

The City of Pasadena's current water rate structure consists of five water allocation blocks and corresponding rates. The proposed rate adjustments will eliminate Block 5 from the water rate structure and reduce Block 4 pricing by 25%. Table A below shows the current and proposed allocations and rates for each block. Block 4 was established to cover the potential penalties associated with Pasadena exceeding its water allocation from the Metropolitan Water District of Southern California (MWD). Pasadena no longer expects to exceed its water allocation from MWD. The revenue generated from the reduced Block 4 rates will support conservation programs and fund potential future penalties.

Table A
Current and Proposed Allocations and Rates (Effective July 1, 2010)

Billing Unit* Allocation per Block							
Meters Size	Block 1 (No Change)	Block 2 (No Change)	Block 3 (No Change)	Block 4		Block 5	
				Current	Proposed	Current	Proposed
5/8", 3/4"	0 - 8	9 - 24	25 - 34	35 - 46	≥ 35	> 46	Eliminate
1"	0 - 12	13 - 40	41 - 60	61 - 90	≥ 61	> 90	Eliminate
1-1/2"	0 - 22	23 - 86	87 - 132	133 - 188	≥ 133	> 188	Eliminate
2"	0 - 48	49 - 188	189 - 290	291 - 405	≥ 291	> 405	Eliminate
3"	0 - 116	117 - 500	501 - 860	861 - 1,300	≥ 861	> 1,300	Eliminate
4"	0 - 225	226 - 1,000	1,001 - 1,800	1,801 - 3,000	≥ 1,801	> 3,000	Eliminate
6"	0 - 500	501 - 5,600	5,601 - 8,800	8,801 - 12,000	≥ 8,801	> 12,000	Eliminate
8"	0 - 500	501 - 5,600	5,601 - 10,000	10,001 - 14,000	≥ 10,001	> 14,000	Eliminate
10", 12"	0 - 500	501 - 24,000	24,001 - 32,000	32,001 - 37,000	≥ 32,001	> 37,000	Eliminate

Rates per Billing Unit							
Area of Service**	Block 1 (No Change)	Block 2 (No Change)	Block 3 (No Change)	Block 4		Block 5	
				Current	Proposed	Current	Proposed
Water delivered April 1st - September 30th							
A	\$0.91037	\$2.50351	\$3.00421	\$5.00701	\$3.75526	\$7.51052	Eliminate
B	\$1.13796	\$3.12938	\$3.75526	\$6.25876	\$4.69408	\$9.38814	Eliminate
Water delivered October 1st - March 31st							
A	\$0.88385	\$2.43059	\$2.91671	\$4.86118	\$3.64589	\$7.29176	Eliminate
B	\$1.10481	\$3.03823	\$3.64588	\$6.07647	\$4.55736	\$9.11470	Eliminate

* One billing unit is equivalent to one hundred cubic feet (HCF), or 7.48 gallons of water. ** Service Area A is Inside City and Service Area B is Outside City.

2. Discontinue Block 5 Relief, Effective July 1, 2010

As a result of the elimination of Block 5 from the rate structure, there will no longer be a need for the Block 5 Relief Program. The proposed rate adjustments will repeal Section 13.20.125 of the Water Rate Ordinance – Block 5 Relief Program.

3. Discontinue Refund or Credit of Water Purchased for Blocks 4 and 5, Effective July 1, 2010

With the elimination of Block 5 from the rate structure and the reduction of Block 4 rates by 25%, it will no longer be necessary to provide credits or refunds. The proposed rate adjustments will eliminate Section 13.20.129 of the Water Rate Ordinance - Potential Refund or Credit of Water Purchases under Blocks 4 and 5.

EXAMPLE RESIDENTIAL CUSTOMER MONTHLY BILL IMPACT

The table below is an example of the impact of eliminating Block 5 and reducing Block 4 rates.

Table B
Example Residential Customer Monthly Bill Impact Effective July 1, 2010

Typical Residential Rate Adjustment for 5/8" or 3/4" Meter Using 55 Billing Units (BU) in Summer							
Current Structure				Proposed Structure			
	Rate per BU	Usage Per Block	Charge Amt.		Rate per BU	Usage Per Block	Charge Amt.
Block 1	\$0.91037	8	\$7.28	Block 1	\$0.91037	8	\$7.28
Block 2	\$2.50351	16	\$40.06	Block 2	\$2.50351	16	\$40.06
Block 3	\$3.00421	10	\$30.04	Block 3	\$3.00421	10	\$30.04
Block 4	\$5.00701	12	\$60.08	Block 4	\$3.75526	21	\$78.86
Block 5	\$7.51052	9	\$67.59				
Total Commodity		55	\$205.06	Total Commodity		55	\$156.24
Distribution and Customer Charge*			\$11.08	Distribution and Customer Charge*			\$14.06
Capital Improvement Charge			\$34.34	Capital Improvement Charge			\$34.34
Total Bill Before Tax			\$250.48	Total Bill Before Tax			\$204.64

Net Decrease: \$45.84 or 18.3% **

*This example includes the second of three scheduled Distribution and Customer Charge (D&C) increases which will go into effect on July 1, 2010, as previously approved by the City Council.

** The net decrease does not include the potential refund or credit of Blocks 4 and 5.

4. Increase the Purchased Water Adjustment Charge (PWAC), 9.5¢ Per Billing Unit Effective October 1, 2010 and 12¢ Per Billing Unit Effective October 1, 2011

MWD, which provides approximately 65% of PWP's water, has approved two rate increases of 7.5% each, effective January 1, 2011 and January 1, 2012. Under Water Rate Ordinance Section 13.20.119, the PWAC shall be adjusted to reflect changes in PWP's purchased water cost. As shown in table C below, PWP is proposing to increase its PWAC 9.5¢ per billing unit effective October 1, 2010. An additional 12¢ per billing unit will become effective October 1, 2011.

Table C
Proposed PWAC Adjustments

Commodity Rates with Proposed PWAC Adjustment Effective October 1, 2010					Commodity Rates with Proposed PWAC Adjustment Effective October 1, 2011				
Service Area*	Block 1	Block 2	Block 3	Block 4	Service Area*	Block 1	Block 2	Block 3	Block 4
Water delivered April 1st – September 30th									
A	\$1.00537	\$2.50351	\$3.09921	\$3.85026	A	\$1.12537	\$2.71851	\$3.21921	\$3.97026
B	\$1.23276	\$3.07438	\$3.85026	\$4.78908	B	\$1.35296	\$3.34438	\$3.97026	\$4.90908
Water delivered October 1st – March 31st									
A	\$0.97885	\$2.52559	\$3.01171	\$3.74089	A	\$1.09085	\$2.64559	\$3.13171	\$3.86089
B	\$1.19981	\$3.13323	\$3.74088	\$4.65236	B	\$1.31981	\$3.25323	\$3.86088	\$4.77236

* Service Area A is Inside City and Service Area B is Outside City.

Vicky L. Thomas

May 19, 2010

Office of the City Clerk
100 N. Garfield Ave. Room S228
Pasadena, California 91101

RECEIVED
10 MAY 24 09:11
CITY CLERK
CITY OF PASADENA

RE: Proposed Water Rate Adjustments

Dear City Council Members:

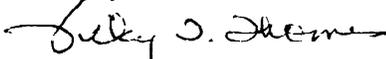
I am FOR the elimination of Block 5 rates and reduction of Block 4 rates. #1, #2 + #3

I am AGAINST any increase in water rates. #4

You have used DWP as an excuse to OVERCHARGE Pasadena residents several months ago. You have indicated that you will have surplus funds that you are saving for conservation programs or future penalties. Many of us are near crisis breaking points with our current economy and we cannot afford to fund your "saving" for conservation programs or future penalties.

We have lost 60% or more of our retirement funds because of the stock market. We do not have the power to lower our cost of water to cover our stock market losses. DWP raised their cost of water to cover their employee pension plans. NOT FAIR!

Sincerely,



Vicky L. Thomas

WATER SERVICE ACCT. # 58806-1

Thomas A. Fox

1204 Rancheros Place Pasadena, CA 91105

RECEIVED

Tel: 626-449-1152 tafox1912@gmail.com

NO MAY -5 A9:12

Monday, May 3, 2010

PASADENA

City Council

City of Pasadena

Office of the City Clerk

Re: Proposed Water Rate Adjustments

100 N Garfield Ave. Room S228

Pasadena, CA 91101

This letter is to voice my opposition to the proposed water rate increases for October 2010 and March 2011. There were substantial increases last year. Pasadena Water & Power must be directed to hold the line on expenses and rate increases during economic downturns instead of constantly bagging rate payers for more money. Also this hiding their excuses behind the MWD skirts is no longer believable.

What with the success of conservation they should be cutting fat instead of porking up. Rate payers are sick of being browbeaten to cut water usage on the one hand, and then getting hit with rate increases on the other. What are they thinking? Do they realize we see through this hocus pocus?

Sincerely,



THOMAS A. FOX

CITY CLERK
CITY OF PASADENA

10 MAY -5 A9:09

RECEIVED

P.S. AND YOU HAVE NO "LIFELINE" LIKE ALL OTHER UTILITIES, FOR PEOPLE WAY BELOW POVERTY LEVEL PERMANENTLY, NOT JUST A ONE-TIME EMERGENCY

June 2, 2010

City Clerk
15001 Garfield Ave.
Room 5228
Pasadena, CA 91109

Anita Higginbotham
3595 Grayburn Rd
Pasadena CA 91107-4628

Tel: (626) 793-4246
Fax: (626) 5754 025 045 08 000

RECEIVED

RE: City of Pasadena
PWP rate increase
070109

TO Whom it May Concern

(25% more for County =

I strongly protest the ANNUAL Chapman Woods (being proposed rate increase) our Sunnyvale Well (water) It is heinous enough for wage earners - for all indigent social security recipient it is disastrous. And you have no "lifeline" reduced rates such as the other utilities.

As it is - being a very GREEN person - I water at most once a week, much of it even less. If this is ratified, I'll have to plant cacti on all my property.

Mine is a very large corner property - and I don't believe lot size is considered! (30ft from the next property was added to original owners. Street #8616 E 30ft of Lot 257 and all of Lot 258.)

Chapman Woods Sunnyvale well water goes to City of Pasadena, and yet, we pay 25% more than residents of Pasadena City. This is discrimination at its worst.

THIS IS A FORMAL REQUEST TO REVISIT/REOPEN/REDO/REWRITE THAT INCREDIBLY UNFAIR AGREEMENT/CONTRACT. You giving

a copy of this protest to Hal Kennedy of Chapman Woods to appeal him of my protest. Thank you,
Hal Kennedy, Anita K. Higginbotham

To: Pasadena Water and Power

Subject: Water-rate changes

To Whom it May Concern:

I am in favor of water rates going up for residential users. With continuing drought conditions a lot of people still are not conserving on their landscape watering. Unfortunately, it will probably require higher water rates before more people will conserve. More education needs to be done on how much water is used for lawns.

Thank you for your time and consideration.

Regards,



Mrs. D. Ripley
1080 N. Chester Ave.
Pasadena, CA 90004

RECEIVED
10 JUN -1 09:38
CITY CLERK
CITY OF PASADENA

5/26/2010