



May 29, 2014

Mayor Bill Bogaard
Pasadena City Council
100 North Garfield Avenue
Pasadena, CA 91109
Via E-Mail

RE: RECOMMENDATION FROM PASADENA CHAMBER OF COMMERCE BOARD OF DIRECTORS RELATED TO PASADENA ELECTRIC RATE INCREASES

Dear Mayor Bogaard and Pasadena City Council Members,

The Board of Directors of the Pasadena Chamber of Commerce had a presentation on proposed electric rate increases by representatives of Pasadena Water and Power at our meeting on May 27, 2014. At that time, the Board considered the proposal by Pasadena Water and Power to increase electric rates 2.7% (along with an additional 5.6% automatic increase) beginning July 1, 2014. The average increase to PWP customers would be 8.3%.

The 8.3% increase would raise approximately \$13 million for PWP during the coming year, which would be used for infrastructure (2.7%), public benefit programs and rebates (0.7%) and to offset increases in power purchased by the utility (4.9%).

The power company is also proposing additional increases of 2.4% beginning July, 2015, and 2.2% beginning July, 2016. Also anticipated are increases in the cost of purchased power (that are automatically passed on to consumers) of 3% to 4% beginning July, 2015, and another 3% to 4% beginning July, 2016.

For the upcoming fiscal year, the additional \$13 million would also generate approximately \$1.17 million in additional transfer to the city general fund, an additional \$975,000 in Utility User Tax, again going to the general fund, as well as Street Lights and Traffic Signals Tax windfall of approximately \$750,000 per year. We also conservatively estimate that interest income on the \$65 million Stranded Investment Reserve to be at least \$1.5 million.

The Chamber Board of Directors voted to oppose the increase proposed unless the additional windfalls to the City are refunded to the utility through a decreased transfer to the general fund in an amount equal to the city tax and transfer windfall. In addition, the Chamber Board would like to see the interest accumulated by the Stranded Investment Reserve applied to offset the proposed rate increases. The utility would then be able to reduce the rate increase by a like amount.

The Pasadena Chamber's proposal would mean the impact on the entire customer base would be decreased by a total of \$4.39 million which would reduce the percentage of the total increase nearly 33% to 5.56% for the upcoming fiscal year.

The Pasadena Chamber of Commerce Board of Directors also opposes any automatic rate increases or pre-approved rate increases. We encourage the City Council to review and approve any and all rate increases in a timely manner prior to their imposition on your customers. This would provide for transparency in the deliberations and require that all increases be justified to the Council. Timely public hearings on rate increases would mean the justification and amount of any increases would have to be fully explained to the council and the community. Therefore, we would suggest that the pre-approved increases requested by PWP with this action be considered and approved in upcoming years so that the need for the increases, and any offsetting windfalls to the city could be factored into the decision on future increases.

Quite simply, the Pasadena Chamber of Commerce is asking that you do what you can to mitigate the impacts of the electric rate increase on your customers. In so doing, you may preserve jobs, allow for investment by your local businesses and help enhance our local economy.

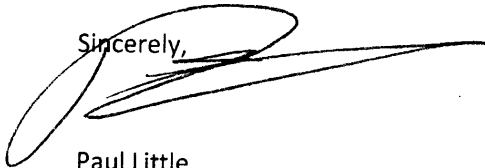
We were not aware that the proposed rate increase would be coming before the City Council so soon after the presentation to the Pasadena Chamber Board. We would have appreciated the opportunity to fully discuss and present our alternative to the proposed rate hike and our rationale for utilizing the Stranded Investment Reserve and windfalls to the City general fund to offset the increased costs to your customers.

Unfortunately, I am in New York on Monday and unable to attend the meeting. I hope we can have representatives of the Chamber Board at the meeting, but may find that difficult as we just now learned the item is on Monday's agenda. Were the discussion to be postponed a week, I would be able and happy to present the Chamber's alternative to the Council.

Thank you for considering our proposed alternative. The chamber proposal could provide significant savings to your utility customers without reducing funds required by Pasadena Water and Power and without costing the City of Pasadena any more than the windfall the additional rates would produce and interest income from the fund that was put in place to offset increases in power costs for PWP customers.

I am happy to discuss this proposal at any time.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Little', with a long, sweeping underline that extends to the right.

Paul Little
President and Chief Executive Officer

CC: M. Beck, M. Jomsky, P. Currie, S. Thomas, Pasadena Chamber Board of Directors