

CORRESPONDENCE

From: [REDACTED]
To: Jones, Justin; Hampton, Tyron; Rick Cole; Lyon, Jason
Cc: Gao, Beilei
Subject: MSC June 24, 3035 - Item 1. Electric Rate Study Update
Date: Tuesday, June 24, 2025 11:27:18 AM

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Pasadena Water & Power (PWP) has employed a procedural device to provide incomplete information for two ongoing studies to the Municipal Services Committee: the *Optimized Strategic Plan* and the *Electric Rate Study*. By presenting these "Updates" as "Information Only", PWP avoids taking responsibility for any implied results but proceeds as if incomplete results have been approved.

This is particularly apparent in the staff report for June 24, 2025, Item 1 - Electric Rate Study. This Update is labeled "INFORMATION ONLY." *Information only items contain no staff recommendations.* Item 3 is an Optimized Strategic Plan Update, the unfinished report that was supposed to provide base data for the Item 1 Rate Study. Note that the word "OPTIMIZED" implies a specific result, not an outline with multiple options, repeating information shared in previous updates. The Rate Study was supposed to be based on an actual plan developed by E3, not "developed in parallel" as suggested in the current staff report.

In late 2023, Energy and Environmental Economics, Inc. ("E3") provided a technical review of the inconclusive 2023 Draft IRP which did not produce a plan for action. The City Manager proposed reengaging E3 to assist with the development of an Optimized Strategic Plan. E3's new contract was approved March 25, 2024. A mere two weeks later, Council approved a consulting contract with *NewGen* -- one year before the expected results from E3's Optimized Strategic Plan.

Despite PWP's repeated assurance that the Electric Rate Study would be based on an actual plan, THERE IS NO PLAN. The rate study "update" shows graphs with four different energy scenarios that could push systemwide rates from 33 cents to 42 cents by 2031. However, there is no Base Case showing costs and rates under the current operating model, "Business as Usual". NextGen's September 2024 Rate Study Introduction noted that *Budget Year 2025 Costs* would provide base-year data yet the current staff report states that the study baseline is *FY 2026 Operating and Capital Budgets*.

MSC instructed PWP to revise their FY 2026 Operating Budget to remove unwarranted and unapproved assumptions of a rate increase; no changes were made. MSC also instructed PWP to base energy costs on the "hourly method" for calculating the cost of clean energy, yet the Electric Rate cost scenarios use both "annual" and "hourly" basis.

Both consultants rely on "black box" models with unstated assumptions and hidden calculations. PWP and its consultants continue to ignore City Council's and the Municipal Services Committee's direction.

FY 2026 Capital Improvement Program (CIP)

In just three years, the Electric System's *Capital Improvement Program (CIP) FY 2026*

ballooned to six times the amount of its FY 2023 CIP while adding only one project that clearly supports goals of Resolution 9977.

	FY 2023	FY 2024	FY 2025	FY 2026
Power Capital Improvement (CIP)	\$27,084,360	\$56,847,800	\$76,128,718	\$163,971,500

Documentation for the Power Fund's FY 2026 CIP designates 29 of the 62 line-items as supporting the goals of Council Resolution 9977. The combined value of \$84.1 million for "9977 supporting expenses" comprises 51% of the total CIP budget. However, nearly all the so-called 9977 items are for ongoing maintenance and improvements continued from previous years. As an example, even \$3.45 million for *Purchase of Vehicles and Equipment (3500)*, *Priority 36* is attributed to 9977.

A much-needed Battery Energy Storage System (BESS) to be constructed at the Glenarm site is the only item that clearly contributes to local solar/battery storage and supports Resolution 9977. It is designated *Priority #6 - Glenarm Energy Storage (3206)* with a total cost of \$13,540,000 (FY 2026). However, BESS total cost of \$13.45 million overstates the cost to PWP because it includes a federal grant of \$9,660,000, 71% of the total.

Other costs attributed to Glenarm are primarily for the cost to maintain the five gas turbines of Glenarm Gas Plant. The main turbine has been broken and under repair in Texas since November of 2024.

Why are no new local solar/battery storage or community solar projects included in the FY 2026 Capital Improvement Budget?

New Positions: FY 2026 Personnel Enhancements

FY 2026 Personnel Enhancements, Other Funds [AR 11 Summary Table - Other Funds \(Personnel Enhancements\).pdf](#) include two new positions paid by the *401 Public Benefit Fund* which is supported by state mandated fees collected from ratepayers "to fund assistance programs, energy efficiency, and renewable energy projects".

- Senior Customer Program Analyst @ \$155,480 "To design, implement evaluate programs that directly benefit economically vulnerable residents"
- Customer Program Analyst @ \$118,567 "To support the new Senior Customer Program Analyst"

What are the new customer assistance plans that require these positions? When will they be implemented?

Where is Pasadena's comprehensive plan to provide meaningful rate assistance for economically vulnerable residents?

Conclusions

Based on their computer modeling, E3 determined how much local solar and battery storage will be needed to meet 9977 goals. However, the current draft Optimized Strategic Plan has neither provided an actionable plan with capital cost assumptions to be used in the Electric Cost of Service Study, nor has it developed cost projections for a baseline case assuming no change, "Business as Usual".

There must be baseline financial projections for the status quo, "Business as Usual" to

establish the incremental increase due to new local solar and battery storage.

PWP must develop and adopt a single plan on which to base its rate assumptions. The incremental difference between the baseline case and the adopted plan will reflect cost due to 9977 goals.

Ratepayers were subject to large Power Cost Adjustments initiated in March 2023 due to increased cost of fuel. These adjustments resulted in record income for the Power Fund in FY 2024. Even without adding new zero-carbon energy sources, electric rates will be subject to increases based on the cost of carbon fuel, procurement bottlenecks, and generalized economic inflation.

Why was the Power Fund's FY 2024 "\$10 million surplus" transferred to the General Fund rather than invested in the city's carbon-free future?

Rate assumptions should be based on documented costs from FY 2025, not on undocumented Revenue/Expense projections for FY 2026 which prematurely assume an electric rate increase and capital expense projections with only one new item supporting Resolution 9977.

- MSC must require a plan to achieve the goals of 9977. The plan must **outline a set of activities to be completed along with planned dates for initiation and completion of these activities. The adopted plan must also provide sufficient detail to allow development of a cost estimate.**
- MSC must direct PWP and NextGen to use the adopted Plan as the basis for its electric rate study.

From: [Denise Jones](#)
To: [Gao, Beilei](#)
Cc: [Hampton, Tyron](#); [Cole, Rick](#); [Jones, Justin](#); [Lyon, Jason](#); [Reyes, David](#)
Subject: June 24 MSC Meeting Agenda Items
Date: Tuesday, June 24, 2025 2:15:28 PM

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Dear MSC Members:

In my review of the agenda items for the Municipal Services Committee meeting scheduled for June 24 I have the following comments:

1. Regarding the Rate Study, while it appears to be preliminary, I believe it should include the impact of the adopted OSP which should guide costs projections. Because there is not an approved OSP, the rate study seems premature. Also it is not clear on what assumptions are being made or what data is being used. at the time of the submittal of the last IRP, it was also note that that submission was not a plan but a compliance document which led to the need for the OSP. The residents of Pasadena deserve an actual Optimized Strategic PLAN. This would should provie a guide PWP's path to 100% carbon free energy by 2030.
2. Regarding the OSP, the report presents as a summary or overview rather a plan. I believe the statement of work for the OSP consultant was to prodice a plan and the agenda document does not meet the definition of a plan. Also, at a previous MSC meeting, the members voted to direct that the plan include 4 scenarios which focus on solar energy as an important means t to achieve the goal of 100% carbon free energy by 2030 and should be included in the plan.

Thank you for your vigilance in working for the benefit of Pasadena residents and for considering my comments.

Denise Jones
Resident - District One

From: [Cynthia Cannady](#)
To: [Gao, Beilei](#)
Subject: Agenda item #1
Date: Tuesday, June 24, 2025 2:03:20 PM

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June 24, 2025

Municipal Services Committee of the Pasadena City Council

By email

Dear Councilmembers:

Agenda item #1

You can make cost analysis justify anything if the cost data is hidden from the public. This rate study has been conducted with a totally non-transparent process undertaken without coordination with the OSP.

Non-transparency and lack of coordination hide a number of weaknesses in this report.

1. You cannot estimate the cost of implementing a plan when there is no plan yet. We and MSC members pointed this out last year, but PWP assured this Council that they would not begin cost analysis until a plan was settled on. This assurance has been violated.
2. The rate consultants accepted the very rough range of estimates of "incremental cost" from the OSP consultants, and then added their own non-transparent "data" on cost projections for the future.

But the OSP consultants (E3) admit that they did NOT model what costs and rate impacts would be if Pasadena followed business as usual. How is it possible to attribute rate increases if you don't know the impact of the alternative: a mixed portfolio including carbon resources and unspecified market purchases on rates?

We know that rates are likely to increase (and already have) but the known drivers of cost increases are:

- a.) inflation
- b.) supply chain problems related to trade, tariffs and war;
- c.) deferred infrastructure costs (delivery grid repair/modernization)
- d.) Equipment defects and breakdowns at Glenarm

The rate study appears to lump items c and d together with the cost of carbon free resources.

We also know that money spent on a more resilient system is an investment in our future and will protect ratepayers. That cannot be said of electricity generated by burning gas, whose only legacy is climate disaster.

3. E3 includes the cost of private investment in rooftop solar, the so-called "Total System Cost" metric used by the for-profit utilities to justify their attack on solar. This metric inflates the cost and is inaccurate.

4. E3 does not distinguish between cost data for resident solar and front of meter solar. It also biases the results by assuming PPA style contracts with third parties which add profit into the cost mix.

5. E3 assumes that demand response must be paid for, an assumption that ignores the success of voluntary programs.

6. E3 declined to include the social cost of carbon metric, which is very real in our lives today as we deal with the damage the fires, heat, health impacts and insurance cancellations.

All of these assumptions give the misleading impression that the transition to carbon free electric power will raise rates independently of other factors that have nothing to do with renewable resources.

This study is so misleading that *Pasadena Now* has already reported that the MSC is being asked to approve rate increases attributable to the Climate Emergency Resolution.

Further, the rate study includes a number of erroneous statements that are significant: one example: the description of the 4 portfolios on page 9 which is incorrect.

Another example: the statement about carbon neutrality in the last sentence, 4th paragraph, p. 7 is also incorrect. The hourly matching portfolios do not include carbon neutrality.

We encourage the MSC to return this preliminary rate study report to PWP with an instruction to wait until a plan has been developed, with a timeline and specific action items, before estimating costs. And then to practice transparency with respect to factual assumptions about cost, which does not mean disclosing information after the study is complete.

Cynthia