

**From:**  
**Sent:** Monday, June 9, 2025 11:03 AM  
**To:** Gordo, Victor; Hampton, Tyron; Rick Cole; Jones, Justin; Masuda, Gene; Rivas, Jessica; Madison, Steve; Lyon, Jason  
**Cc:** Gao, Beilei  
**Subject:** Item 14. Proposed Power Operating Reserve

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The proposed amendment to Municipal Code 13.04 creates new reserves that virtually guarantee the financial success of PWP's **current Power Operating Model** which is reliant on imported energy. Further, it totally ignores the promised transition to increased **local generation of solar power coupled with battery storage**.

Locally generated solar power with storage would reduce requirements for purchased power (e.g. *power supply costs*). It would also significantly reduce the need for long-distance power transmission (e.g. *transmission service costs*), as well as associated fire hazards from high voltage lines.

The proposed text of **13.04.175 – Reserve for Working Capital** was apparently provided by consultants for the Electric Rate Study. It is full of ambiguity and duplication and does not include a list of definitions such as those found in other code sections. Related definitions found in Municipal Code 13.04.170 and .173 duplicate items found in several of the seven different reserves which are proposed: a) **Labor** is included in Operating Reserve, Fuel Costs, Power Production Costs, and Transmission Revenue Requirement. b) **Debt Service** has a separate reserve; it is also included in the Energy Cost, and Transmission Cost. c) **General Fund Transfer** has a separate reserve; it is also included in Energy Costs and Transmission Costs.

1. **Operational Reserve.** How are operating expenses defined? Is this determined by the City Council approved fiscal year Operating Budget?
2. **Debt Service Reserve.** An earlier version stipulated that this reserve should be the amount of one year Principal Payment for Outstanding Bonds. However, the current version stipulates one year of Debt Service Payments which includes Principal and Interest.
3. **Capital Expenditures Reserve:** One-year of budgeted capital expenditures. How are capital expenses defined? Is this determined by the City Council approved fiscal year Capital Improvement Plan (CIP)?
4. **General Fund Transfer Reserve:** One-year of budgeted General Fund Transfer. How is this determined? Is this the Council Approved General Fund Transfer?
5. **Energy Services Charge Reserve** based on *projected power supply costs*. How are these calculated? See Municipal Code 13.04.173, Section 4 - D

- “Energy Costs” include *operating margin, debt service, and the general fund transfer associated with these costs.*
  - “Fuel Costs” include *in-plant handling of that fuel gas and fuel oil* (apparently a labor charge).
  - “Power Production Costs” include *Fuel Costs, labor, operating and maintenance expenses.*
6. **Transmission Reserve** based on transmission services cost. How is this calculated? See Municipal Code 13.04.170, Section 3 - C
- “Transmission revenue requirement” includes *labor and operating costs, associated general fund transfer, operating margin, and debt service.*
7. **Contingency Reserve** adds additional reserves which duplicate reserves already included in the list above: #1 Operational Reserve and #3 Capital Expenditures.
- Operational Reserve: 60 days or 90 days of operating expenses PLUS Contingency Reserve: 60 days or 90 days of operating expenses
  - Capital Expenditures Reserve: one year of budgeted capital expense PLUS Contingency Reserve: 60 days or 90 days of capital expenses

The current draft ordinance includes two options, **‘Minimum’ of 60 days cost -OR- ‘Target’ of 90 days cost** for five items: the Operational Reserve (#1), Capital Expenditures Reserve (#3), Energy Services Charge Reserve (#5) Transmission Services Charge Reserve (#6) and Contingency Reserve (#7). Who decides whether to apply minimum transfer @ 60% or targeted transfer @ 90%? What is the basis for the decision? When is the determination made?

Adequate reserve amounts are important for prudent operation. However, the proposed reserves appear to guarantee Power operations regardless of management decisions. They also guarantee General Fund Transfers of 12% from the Power Fund to the City General Fund – a handsome return for a normal business but a virtual tax on ratepayers by our municipal utility.

The proposed ordinance is at the expense of Power Ratepayers. Power Cost Adjustments from March 2023 through December 2024 resulted in record income for the Power Fund in FY 2024. This ‘surplus’ was due in large part to increased costs for ratepayers whose reward was an additional \$10 million General Fund Transfer to pay for items unrelated to power operations. **Why were ‘surplus’ funds not reinvested in our solar future, for families, neighbors, businesses, and for our City?**

Who will pay for these duplicative reserves? Electric Ratepayers. This is the third Municipal Code amendment presented to Council by PWP in preparation for the Electric Rate Increase as explained in the Fact Sheet for Ordinance 7441: “In August 2024, Pasadena Water and Power initiated **an electric rate study that included review of the current rate ordinance.**” Rate increases in 2024 for Water (PWP) and for Sewer (Public Works) included increased and new reserves which contributed to the price shock for ratepayers. History is repeating itself.

**PLEASE REQUIRE EXPLICIT LANGUAGE DEFINING THE RESERVE FUNDS, ELIMINATION OF UNNECESSARY DUPLICATION, AND RESERVES THAT MEET REAL NEEDS, NOT A WISHLIST OF GUARANTEES.**

Genette Foster  
Ratepayer, District 2