

Agenda Report

February 23, 2026

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (February 10, 2026)

FROM: Water and Power Department

SUBJECT: SET A DATE OF MARCH 2, 2026, TO OPEN A PUBLIC HEARING FOR ELECTRIC RATE ADJUSTMENTS AND DIRECT THE CITY ATTORNEY'S OFFICE TO PREPARE AN ORDINANCE AMENDING THE LIGHT AND POWER RATE ORDINANCE AND ADOPT THE UTILITY RATE RESOLUTION

RECOMMENDATION:

It is recommended that the City Council:

- 1) Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) pursuant to Section 21065 of CEQA and Sections 15060(c)(2), 15060(c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project;
- 2) Set a date of March 2, 2026, to open a public hearing for the recommended electric rate adjustments;
- 3) Direct staff to prepare the Utility Rate Resolution with a three-phase rate adjustment plan (effective March 2026, October 1, 2026, and March 1, 2027); and
- 4) Direct the City Attorney's Office to prepare an ordinance amending the Light and Power Rate Ordinance, Title 13, Chapter 13.04 – Power Rates and Regulations, to reflect the proposed electric rate adjustments, eliminate outdated or obsolete provisions, and align the ordinance with current industry best practices.

MUNICIPAL SERVICES COMMITTEE RECOMMENDATION:

On February 10, 2026, the Municipal Services Committee received the report and unanimously recommended that this item be placed on the February 23, 2026 agenda to open a public hearing on March 2, 2026, and subsequently continue the public hearing to March 16, 2026.

EXECUTIVE SUMMARY:

Pasadena Water and Power (“PWP”) has completed a comprehensive Electric Rate Study to ensure that electric rates remain equitable, cost-based, and aligned with the City’s long-term goals of fiscal responsibility, infrastructure modernization, and achieving 100% carbon-free electricity by 2030. Conducted in partnership with NewGen Strategies and Solutions, LLC (“NewGen”), the study includes a full cost-of-service (“COS”) analysis, financial modeling, and extensive public engagement. The study confirms that current electric rates are insufficient to meet projected revenue needs, with a shortfall of approximately \$67.9 million over 2 years.

In addition to the rate adjustments, PWP recommends a full restatement of the Light and Power Rate Ordinance (Chapter 13.04) except for items related to Net Energy Metering and any new provisions for local solar that will have further discussion. This restatement will modernize the ordinance by eliminating outdated provisions, aligning terminology with current industry standards, and streamlining governance by moving all rate figures to the Electric Utility Rate Resolution. The updated ordinance also anticipates future needs, including time-of-use pricing, advanced metering infrastructure, and expanded support for distributed energy resources such as electric vehicles.

PWP’s proposed rates remain among the most affordable in the region. The utility continues to prioritize equity by offsetting fixed charges for income-qualified customers and energy efficiency programs. Public engagement has been central to the process, with outreach efforts including webinars, open houses, and a dedicated website. Feedback from residential and commercial customers has informed the rate design and highlighted interest in clean energy options, electric vehicle incentives, and bill transparency tools. PWP recommends that the City Council set a public hearing for March 2, 2026, to present the proposed rate adjustments and ordinance restatement, and to gather community input. If approved, the new rates would take effect beginning March 16th, 2026, or as soon thereafter as practicable.

BACKGROUND:

The electric rate study has been ongoing since May of 2024 to review and rethink the electric rates and rate ordinance. The rate study has included the following presentations, approvals, and direction throughout the process:

- May 6, 2024 - Council approved of the contract with NewGen
- October 22, 2024 - Introduced the rate study and process
- January 13, 2025 – Approved the removal of the obsolete Direct Access ordinance provisions
- March 11, 2025 - Presented the community engagement plan and strategy
- June 9, 2025 - Amended the Stranded Investment Reserve provisions in the municipal code and establish a Working Capital Reserve Policy
- June 24, 2024 - Presented Power Fund revenue requirements projections and scenarios

- July 14, 2025 - City Council directed PWP to proceed in ratemaking with a two-year rate adjustment plan
- December 15, 2025 - MSC directed staff to return to MSC with the cost-of-service report and rate alternatives prior to recommending City Council set a public hearing date
- January 13, 2026 - MSC requested advice from the City Attorney’s office prior to setting a public hearing date

ANALYSIS:

The following table represents a strategy to meet the revenue requirements for a two-year study period sufficient to support the operating expenses and capital investments for the study year period ending in FY2027. This alternative will draw down an additional \$32 million of cash reserves if implemented in March 2026, October 2026 and March 2027.

Table 1: Percentage Bill Adjustments by Class

Classes	Phase 1	Phase 2	Phase 3*
	March 2026	October 2026	March 2027
Residential	7%	7%	7%
Commercial - Small	7%	7%	7%
Medium - Commercial	7%	7%	7%
Large - Commercial	7%	7%	7%
Street Lighting	7%	7%	7%
Traffic Signals	7%	7%	7%
Total System	7%	7%	7%

Pricing and impact schedules will be developed based on MSC direction and City Council’s approval.

The pricing for the residential customer and impact is detailed in Tables 2-4.

Table 2: Residential Customer Class Proposed Pricing per Phase

Residential single-family service (R-1)		Current	Phase 1 Mar-26	Phase 2 Oct-26	Phase 3 Mar-27
Fixed Charges	Customer Charge	\$ 8.96000	\$ 11.00000	\$ 12.60000	\$ 13.10000
per month	Grid Access Charge	\$ 4.50000	\$ 6.50000	\$ 7.50000	\$ 8.50000
Demand Charges	Distribution Charge: first 350 kWh per month	\$ 0.01889	\$ 0.03505	\$ 0.04170	\$ 0.04836
per kWh	Distribution Charge: 351 to 750 kWh	\$ 0.14673	\$ 0.14018	\$ 0.16682	\$ 0.19345
	Distribution Charge: over 751 kWh per month	\$ 0.10706	\$ 0.25233	\$ 0.30027	\$ 0.34822
	Transmission Charge	\$ 0.01609	\$ 0.01609	\$ 0.01609	\$ 0.01609
Energy Charges ¹	Energy Service Charge - High Season	\$ 0.07073	\$ 0.05660	\$ 0.07134	\$ 0.06845
per kWh	Energy Service Charge -Low Season	\$ 0.06147	\$ 0.04919	\$ 0.06200	\$ 0.05949
	Power Cost Adjustment ²	\$ 0.06830	\$ 0.05165	TBD	TBD

¹ Flat rate option

² Subject to change based on monthly calculation

Table 3: Residential Customer Class Price Changes per Phase

Residential single-family service (R-1)		Phase 1 \$ Change Mar-26	Phase 2 \$ Change Oct-26	Phase 3 \$ Change Mar-27	Phase 1 % Change Mar-26	Phase 2 % Change Oct-26	Phase 3 % Change Mar-27
Fixed Charges	Customer Charge	\$ 2.04	\$ 1.60	\$ 0.50	23%	15%	4%
per month	Grid Access Charge	\$ 2.00	\$ 1.00	\$ 1.00	44%	15%	13%
Demand Charges	Distribution Charge: first 350 kWh per month	0.02¢	0.01¢	0.01¢	86%	19%	16%
per kWh	Distribution Charge: 351 to 750 kWh	-0.01¢	0.03¢	0.03¢	-4%	19%	16%
	Distribution Charge: over 751 kWh per month	0.15¢	0.05¢	0.05¢	136%	19%	16%
	Transmission Charge	0.00¢	0.00¢	0.00¢	0%	0%	0%
Energy Charges ¹	Energy Service Charge - High Season	-0.01¢	0.01¢	0.00¢	-20%	26%	-4%
per kWh	Energy Service Charge -Low Season	-0.01¢	0.01¢	0.00¢	-20%	26%	-4%
	Power Cost Adjustment ²	-0.02¢			-24%		

¹ Flat rate option

² Subject to change based on monthly calculation

Full rates and pricing are as stated in Attachment A: Utility Rate Resolution Pricing.

RECOMMENDATIONS:

Staff recommends adoption of the rate adjustments to meet the revenue requirement needs to provide safe, reliable services to PWP customers at an affordable rate.

Staff also recommend an amendment to a substantial portion of the rates with a reorganization of the structure in a clear and coherent format.

Implementation Timeline

PWP is recommending that a public hearing be opened March 2, 2026, to receive comments on the recommended adjustments to the electric rates. Following the City

Council's action to set a date for the public hearing, the City Clerk's Office will notice in accordance with standard procedures. Table 6 outlines the approximate timeline and implementation schedule for the proposed rate actions.

Table 11: Timeline

Date	Action Item
March 2, 2026	Open Electric Rates Public Hearing
March 16, 2026	First and Second Reading of Updated Electric Rate Ordinance
March 17, 2026 or as soon as practicable thereafter	Effective Date of First Rate Action

COUNCIL POLICY CONSIDERATION:

The recommendations are consistent with the City Council's goals to maintain fiscal responsibility and stability; improve, maintain, and enhance public facilities and infrastructure; and increase conservation and sustainability.

ENVIRONMENTAL ANALYSIS:

The establishment of a date to conduct a public hearing for the consideration of electric rate adjustments and the drafting of related resolutions and ordinance amendments are administrative actions that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed actions do not constitute a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required. Furthermore, the recommended electric rate adjustments themselves would be statutorily exempt from CEQA. Section 15273 of the State CEQA Guidelines identifies a statutory exemption for "Rates, Tolls, Fares, and Charges" and states (in part) that:

- a. CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or their charges by public agencies which the public agency finds are for the purpose of:
 - 1. Meeting operating expenses, including employee wage rates and fringe benefits,
 - 2. Purchasing or leasing supplies, equipment, or materials,
 - 3. Meeting financial reserve needs and requirements,
 - 4. Obtaining funds for capital projects, necessary to maintain service within existing service areas, or
 - 5. Obtaining funds necessary to maintain such intra-agency transfers as are authorized by city charter.

FISCAL IMPACT:

The rate increases are expected to generate revenue of approximately \$84 million annually. The incremental revenues will be used to offset increased operating and capital costs of the electric system.

Respectfully submitted,



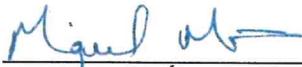
DAVID M. REYES
General Manager
Water and Power Department

Prepared by:



Lynne Chaimowitz
Assistant General Manager
Water and Power Department

Approved by:



MIGUEL MÁRQUEZ
City Manager

Attachment A: Utility Rate Resolution Pricing