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Pasadena Water and Power

Public Hearing: Electric Rate Ordinance Adjustments

City Council
March 2, 2026
Item #9

Our Foundation: Council Leadership and Community Engagement

Pasadena Water and Power

Municipal Services Committee & Council

Led by Chair Jones, MSC led the process of iterative problem solving to address rate setting and establish policy direction.

Residents & Businesses

Hundreds of residents took time to learn about how PWP delivers safe, reliable power to their homes and how we can partner to lead for mutual success as a public utility.

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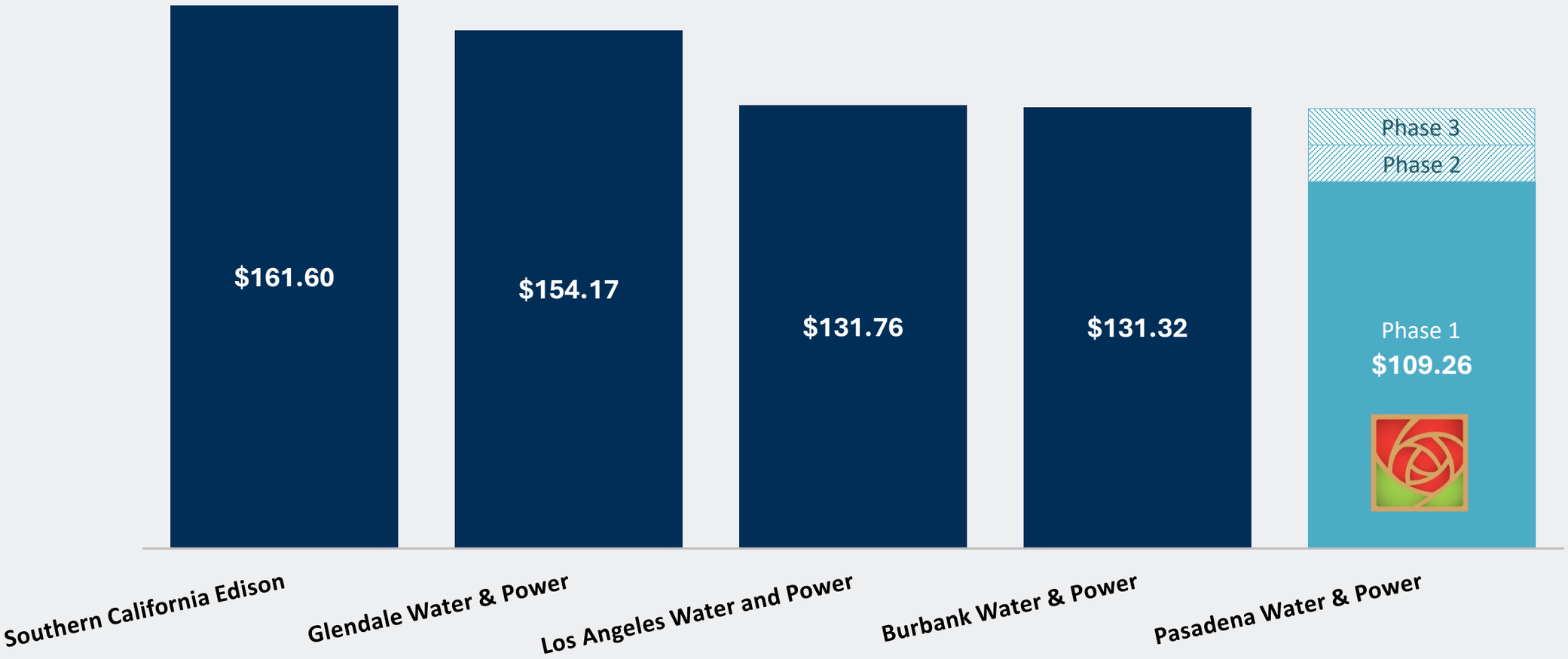
PWP Rate Comparison

The Public Power Promise

Pasadena Water and Power rates remain competitive, providing reliable service while maintaining affordability compared to California's major investor-owned utilities.

Residential Electric Services Bill Comparison

As of February 2026 (with Pasadena Proposed Rates)



Amounts represent monthly total single family residential bill with usage of 500 kWh for the month of February 2026 .Amounts calculated using published rate schedules. Electric amounts calculated using non-time of use rate schedule. Amounts also exclude taxes and non-by passable surcharges. Information has been sourced from a publicly available information at the time generated. SCE includes wildfire insurance fund nonbypassable charges.

Industry -Wide Cost Pressures

Cost Driver	What the Research Shows
Infrastructure & distribution investment	Distribution capital expenditures are now the single largest category of utility capital outlays, per CPUC. A 2024 Lawrence Berkeley National Laboratory report confirms sustained growth in distribution system capital investment is a primary driver of rising retail electricity rates nationally.
Wildfire mitigation & grid hardening	CPUC analyses confirm vegetation management, equipment upgrades, and system hardening have materially increased revenue requirements statewide, with wildfire mitigation accounting for a large share of above-inflation rate increases for California IOUs.
Costs rising faster than inflation	A January 2025 California LAO report found residential electricity rates statewide rose nearly 47% from 2019 to 2023 — far outpacing general price growth. PWP has not raised rates since 2019 and now faces accumulated pressure from this cost environment.
Fixed costs spread over flat usage	California's flat per-capita electricity consumption means utilities must recover high fixed infrastructure costs over a revenue base that is not growing proportionally. Flat or declining usage per customer pushes rates upward structurally.

Study Process & Governance Timeline

May 2024 – March 2026

May 2024
City Council approves NewGen Strategies contract

Oct 2024
Electric Rate Study introduced to MSC (info only)

Jan–Mar 2025
Direct Access provisions removed; engagement plan set

Jun 2025
Working Capital Reserve Policy established

Jul 2025
City Council directs two-year rate adjustment plan

Oct–Dec 2025
Draft Financial Forecast & COS released publicly

Dec 9, 2025
MSC requests rate alternatives before public hearing

Jan 13, 2026
City Attorney guidance on legal framework requested

Feb 10, 2026
MSC approves public hearing recommendation

Mar 2, 2026
Public hearing held — City Council acts on rates

The cost of equipment continues to rise

The materials we need to keep the lights on—like cables and transformers—have gone up in price dramatically. Since 2019, cable costs have nearly doubled, and transformer prices are up about 75%. These are essential parts of our system, and they're more expensive and harder to get.

The cost of power resources are increasing

Since 2018, PWP purchases strictly renewable-only long-term energy to serve our community. This has put us ahead of state requirements and supports Pasadena's 100% carbon-free goal. Renewable contracts are in high demand nationwide with increasing costs to purchase.

Major reasons for PWP Rate increases

Our power grid needs upgrades

Much of Pasadena's electric system is aging. To prevent outages and meet the growing demand for electricity—especially with more electric vehicles and home electrification—we need to upgrade substations, replace equipment, and strengthen power lines.

Planning for long-term stability

We are in excellent financial shape, with strong credit ratings and healthy reserves. That means we can make smart, forward-looking investments now instead of putting them off while providing steady modest increases for our customers.

Rate Strategy

Cost of Service

- Revenue Requirement
- Functionalize
- Classify
- Allocate

- Guide for cost - based rates

"Rate Making"

- Policy Decisions
- Incentivize behavior
- Industry practice is to move towards COS

Rates do not always match COS; prop 26 compliance

Rates

- Collect sufficient revenue
- Support community goals
- Support utility goals
- Price signal to customers
  - Convey information
  - Change behavior

Rate Plan

Total annualized (year over year) average customer bill change.

Classes	Phase 1 March 2026	Phase 2 October 2026	Phase 3 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%

Continued Customer Engagement

💸 Affordability and Equity

Rebates and incentives are seen as critical tools to help customers adopt sustainable practices. Some residents are willing to pay more voluntarily to support low-income households. Concerns about rate fairness for renters, all-electric homes, and those with limited upgrade options.

🧠 Education, Transparency, and Trust

Requests for more education on sustainable living and rate structures. Some skepticism about utility motives (e.g., profit vs. sustainability). Desire for greater transparency in infrastructure spending and rate design.

🚙 Electric Vehicles (EVs): Incentives and Rate Structures Needed

Strong interest in **EV-specific rates**, especially for overnight charging.
Requests for **rebates or discounts** for EV owners, including plug-in hybrids. Some concern that EV adoption is **raising residential rates** without enough renewable offset.

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Renters feel excluded from current programs (e.g., solar, EV charging).
Interest in energy-efficient appliances and shared infrastructure solutions.

⚡ Strong Support for Renewable Energy and Solar

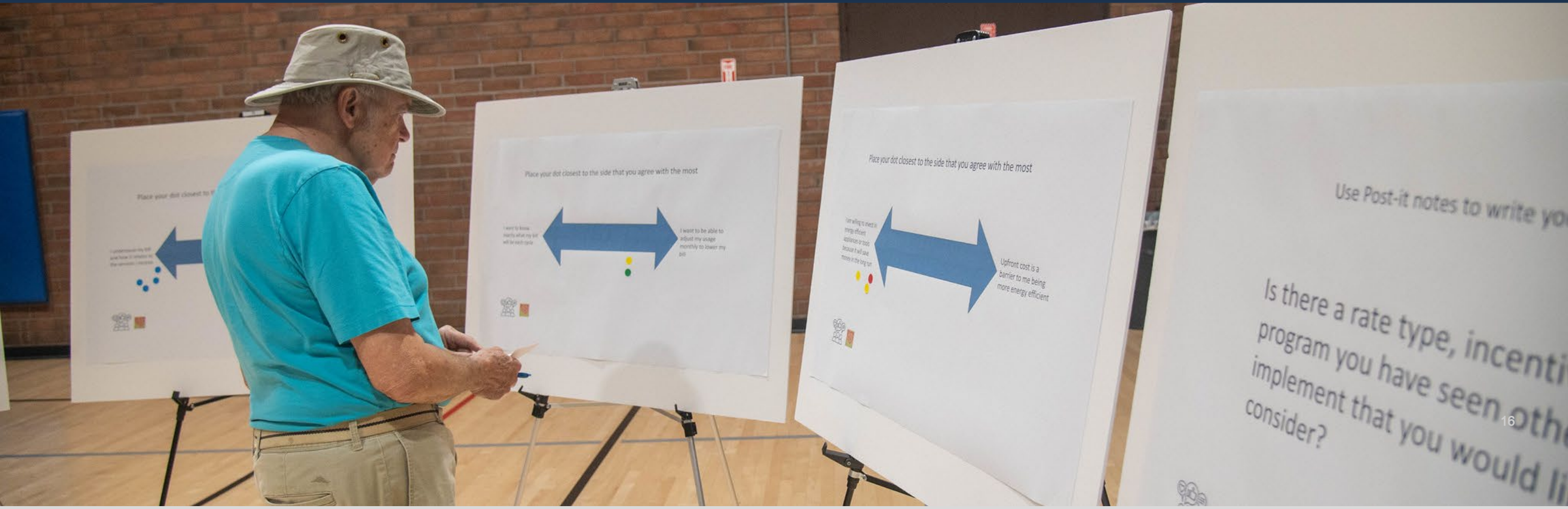
Widespread enthusiasm for rooftop solar, especially with fewer restrictions (e.g., no production caps, easier permitting). Desire for expanded solar incentives: rebates, subsidies, and retroactive benefits. Interest in solar battery storage and related rebates. Some customers are concerned about perceived resistance from PWP toward locally generated solar.

🕗 Time-of-Use (TOU) Rates: Mixed but Generally Positive

TOU is seen as a fair and flexible option if it benefits both customers and the utility. Multiple requests for clearer communication—e.g., charts showing peak vs. off-peak hours. Some concern about TOU penalizing all-electric homes or those with higher baseline usage.

Customer Impacts

Changes will impact all customers at some magnitude. To help customers understand what these changes will mean to them, a bill estimator is scheduled to be released after setting the hearing date.



Phase 1 Pricing: Residential Rate Components

Customer/Account Fee

Customer Charge
$11.00/month

Grid Access Charge
$6.50/month

Demand

Distribution Charge

First 350 kWh:	3.5¢
351- 750 kWh:	14¢
Above 750 kWh:	25¢

Energy

Energy Services Charge
10 ¢ per kWh

Transmission Charge
1.6 ¢ per kWh

Customer/Account Fee

Customer Charge
$11.00/month

Grid Access Charge
$6.50/month

Customer charge is a **fixed monthly charge** regardless of energy use. It is generally associated with services such as **billing**, **customer service**, **meter reading**, and connection to the grid.

Grid access charge is a **fixed monthly charge** generally associated with the **fixed costs** of **connecting to and maintaining the electric grid**, regardless of their energy consumption.

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Demand

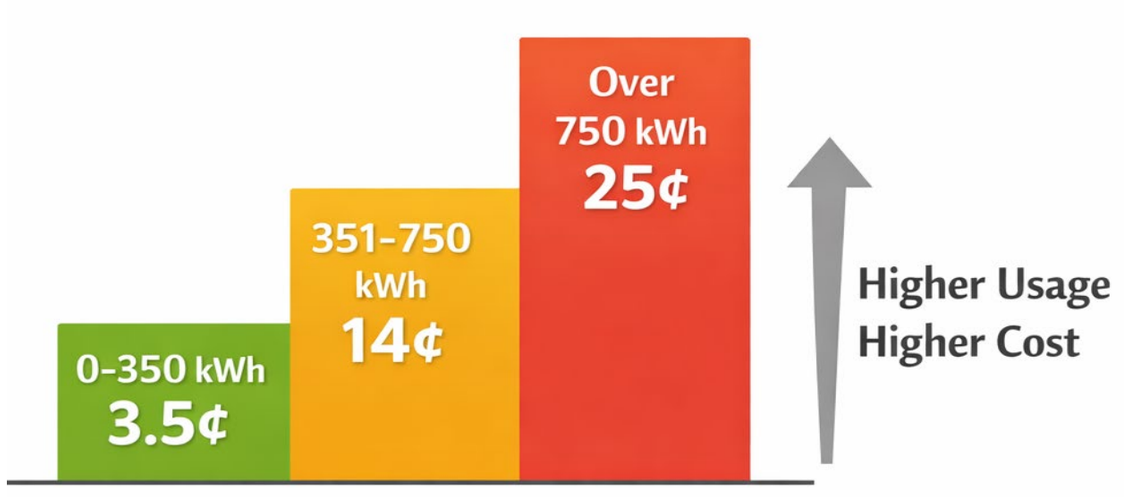
Distribution Charge

First 350 kWh: 3.5¢

351- 750 kWh: 14¢

Above 750 kWh: 25¢

A **usage-based** charge generally associated with the cost of **delivering electricity from the substations**, including operation and maintenance costs, capital investment, and debt service.



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Energy

Energy Services Charge

10 ¢ per kWh

Transmission Charge

1.6 ¢ per kWh

Energy services charge (including power cost adjustment) is a **usage-based** charge generally associated with the solely **variable cost of generating the actual amount of electricity consumed.**

Transmission services charge is a **usage-based** charge generally associated with the cost of **delivering electricity from the generating plants** to our sub-stations.

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Residential Customer Example

	Qty		Price	Unit of measure		Cost
Customer Charge	1	$	11.00	per month	$	11.00
Grid Access Charge	1	$	6.50	per month	$	6.50
Distribution Charge	350	$	0.03505	kWh	$	12.27
	150	$	0.14018	kWh	$	21.03
Transmission Charge	500	$	0.01609	kWh	$	8.05
Energy Services Charge	500	$	0.10084	kWh	$	50.42
						$ 109.26

Current electric charges would be $115.01

A **decrease** of $5.75 for Phase 1

Phase 2: $124.59

Phase 3: $131.16

Does not include surcharges or other utility services or taxes found on PWP bills

Residential Customer Example

	Qty		Price	Unit of measure		Cost
Customer Charge	1	$	11.00	per month	$	11.00
Grid Access Charge	1	$	6.50	per month	$	6.50
Distribution Charge	350	$	0.03505	kWh	$	12.27
	400	$	0.14018	kWh	$	56.07
	250	$	0.25233	kWh	$	63.08
Transmission Charge	1000	$	0.01609	kWh	$	16.09
Energy Services Charge	1000	$	0.10084	kWh	$	100.84

$ 265.85

Current electric charges would be $251.39

An **increase** of $14.46 for Phase 1

Phase 2: $306.23

Phase 3: $330.19

Does not include surcharges or other utility services or taxes found on PWP bills

Ordinance Restatement & Modernization

Streamlined governance

Propose to move all rate figures to the Electric Utility Rate Resolution, allows adjustments and a more logical budgeting and planning process.

Future - readiness

The ordinance anticipates AMI deployment and time-of-use pricing.

Technical alignment

Definitions and schedules now match CPUC terminology, NERC standards, and CAISO market conventions

Rate adjustments are...

Financially necessary

addressing a confirmed $67.9 million revenue shortfall that would otherwise impair the utility's ability to deliver safe and reliable service

Cost-based and equitable

grounded in a thorough cost-of-service analysis, with structural protections for lower-income and lower-usage residential customers;

Graduated and affordable

phased over two years to minimize bill shock, supplemented by discretionary Light and Power Fund reserves;

Forward-looking

modernizing the rate ordinance to support Time-of-Use pricing, AMI deployment, EV adoption, and the City's 100% carbon-free electricity goal by 2030.

Legally compliant

conducted in accordance with California law and City Charter requirements

Thank you!

Municipal Services Committee and Council

Led by Chair Jones, MSC led the process of iterative problem solving to address rate setting and establish policy direction.

Residents and Businesses

Hundreds of residents took time to learn about how PWP delivers safe, reliable power to their homes and how we can partner to lead for mutual success as a public utility.

7%

Residential single-family service (R-1) per month			Current	Phase 1 Mar-26	Phase 1 $ Change Mar-26	Phase 1 % Change Mar-26
Fixed Charges per month	Customer Charge		$ 8.96	$ 11.00	$ 2.04	23%
	Grid Access Charge		$ 4.50	$ 6.50	$ 2.00	44%
Demand Charges per kWh	Distribution Charge:	0- 350 kWh	$ 0.01889	$ 0.03505	0.02¢	86%
		351 to 750 kWh	$ 0.14673	$ 0.14018	-0.01¢	-4%
		over 751 kWh	$ 0.10706	$ 0.25233	0.15¢	136%
	Transmission Charge		$ 0.01609	$ 0.01609	0.00¢	0%
Energy Charges[1] per kWh	Energy Service Charge - High Season		$ 0.07073	$ 0.05660	-0.01¢	-20%
	Energy Service Charge -Low Season		$ 0.06147	$ 0.04919	-0.01¢	-20%
	Power Cost Adjustment[2]		$ 0.06830	$ 0.05165	-0.02¢	-24%

[1] Flat rate option

[2] Subject to change based on monthly calculation

Results in a system average increase of **7%**

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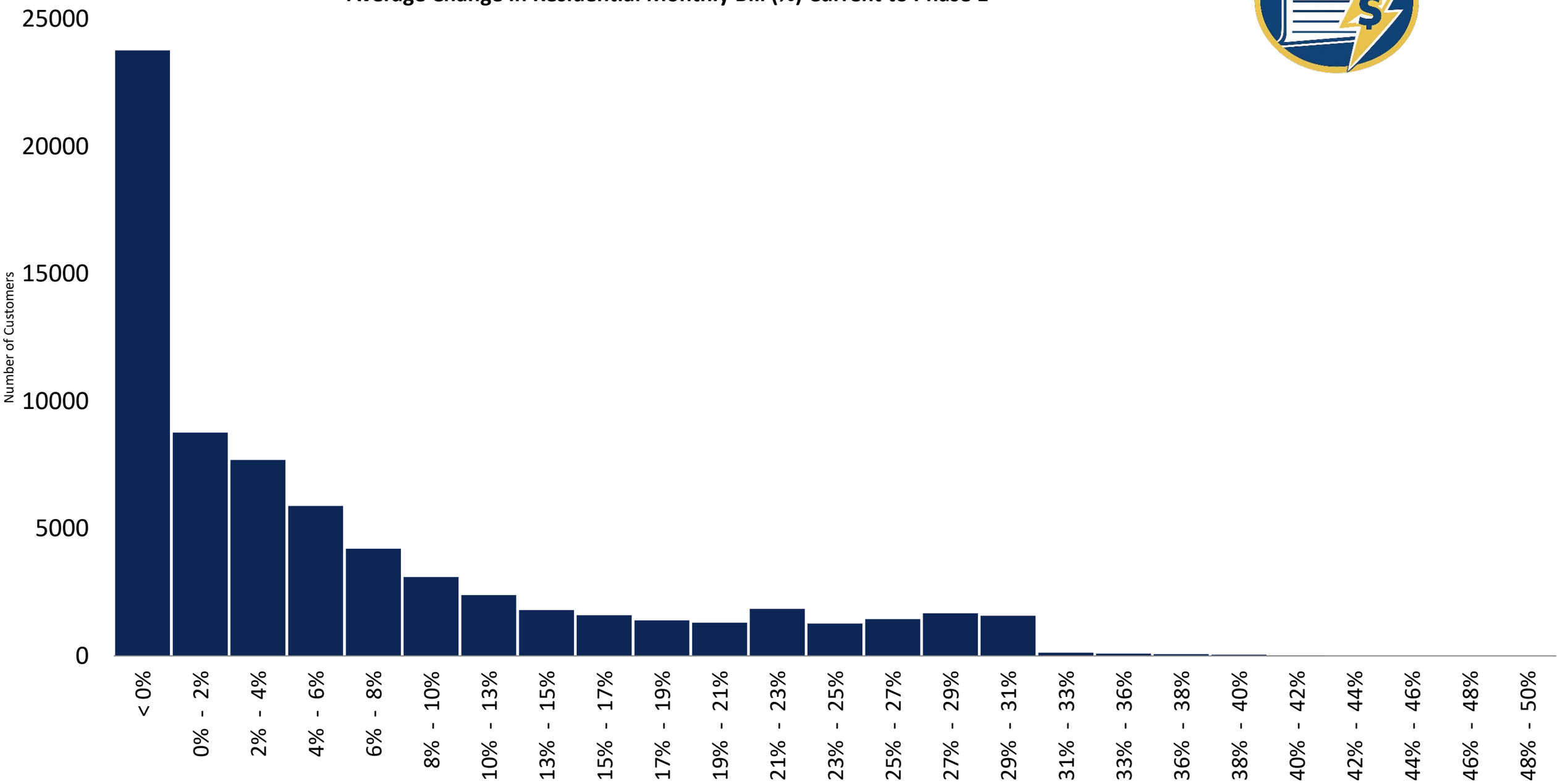
Average Change in Residential Monthly Bill (%) Current to Phase 1



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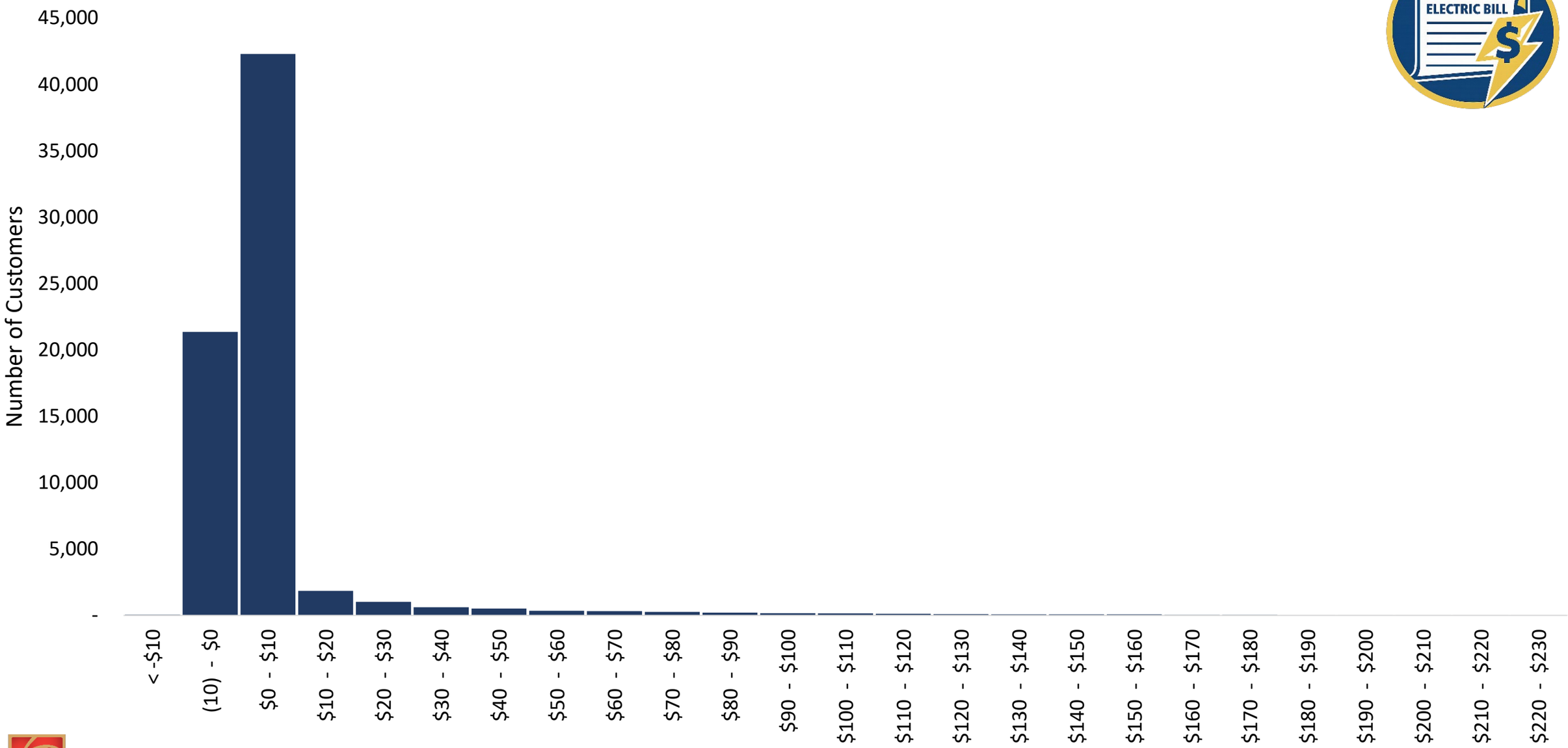
Average Change in Residential Monthly Bill ($) Current to Phase 1



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500 kWh Residential Customer

Current

	Qty		Price	Unit of measure		Cost
Customer Charge	1	$	8.96	per month	$	8.96
Grid Access Charge	1	$	4.50	per month	$	4.50
Distribution Charge	350	$	0.02	kWh	$	6.61
	150	$	0.15	kWh	$	22.01
Transmission Charge	500	$	0.02	kWh	$	8.05
Energy Services Charge	500	$	0.13	kWh	$	64.89
						$ 115.01

Phase 1

	Qty		Price	Unit of measure		Cost
Customer Charge	1	$	11.00	per month	$	11.00
Grid Access Charge	1	$	6.50	per month	$	6.50
Distribution Charge	350	$	0.04	kWh	$	12.27
	150	$	0.14	kWh	$	21.03
Transmission Charge	500	$	0.02	kWh	$	8.05
Energy Services Charge	500	$	0.10	kWh	$	50.42
						$ 109.26

Phase 2

	Qty		Price	Unit of measure		Cost
Customer Charge	1	$	12.60	per month	$	12.60
Grid Access Charge	1	$	7.50	per month	$	7.50
Distribution Charge	350	$	0.04	kWh	$	14.60
	150	$	0.17	kWh	$	25.02
Transmission Charge	500	$	0.02	kWh	$	8.05
Energy Services Charge	500	$	0.11	kWh	$	56.82
						$ 124.59

Phase 3

	Qty		Price	Unit of measure		Cost
Customer Charge	1	$	13.10	per month	$	13.10
Grid Access Charge	1	$	8.50	per month	$	8.50
Distribution Charge	350	$	0.05	kWh	$	16.93
	150	$	0.19	kWh	$	29.02
Transmission Charge	500	$	0.02	kWh	$	8.05
Energy Services Charge	500	$	0.11	kWh	$	55.57
						$ 131.16

1,000 kWh Residential Customer

Current

	Qty		Price	Unit of measure		Cost
Customer Charge	1	$	8.96	per month	$	8.96
Grid Access Charge	1	$	4.50	per month	$	4.50
Distribution Charge	350	$	0.02	kWh	$	6.61
	400	$	0.15	kWh	$	58.69
	250	$	0.11	kWh	$	26.77
Transmission Charge	1000	$	0.02	kWh	$	16.09
Energy Services Charge	1000	$	0.13	kWh	$	129.77
						$ 251.39

Phase 1

	Qty		Price	Unit of measure		Cost
Customer Charge	1	$	11.00	per month	$	11.00
Grid Access Charge	1	$	6.50	per month	$	6.50
Distribution Charge	350	$	0.04	kWh	$	12.27
	400	$	0.14	kWh	$	56.07
	250	$	0.25	kWh	$	63.08
Transmission Charge	1000	$	0.02	kWh	$	16.09
Energy Services Charge	1000	$	0.10	kWh	$	100.84
						$ 265.86

Phase 2

	Qty		Price	Unit of measure		Cost
Customer Charge	1	$	12.60	per month	$	12.60
Grid Access Charge	1	$	7.50	per month	$	7.50
Distribution Charge	350	$	0.04	kWh	$	14.60
	400	$	0.17	kWh	$	66.73
	250	$	0.30	kWh	$	75.07
Transmission Charge	1000	$	0.02	kWh	$	16.09
Energy Services Charge	1000	$	0.11	kWh	$	113.65
						$ 306.23

Phase 3

	Qty		Price	Unit of measure		Cost
Customer Charge	1	$	13.10	per month	$	13.10
Grid Access Charge	1	$	8.50	per month	$	8.50
Distribution Charge	350	$	0.05	kWh	$	16.93
	400	$	0.19	kWh	$	77.38
	250	$	0.35	kWh	$	87.05
Transmission Charge	1000	$	0.02	kWh	$	16.09
Energy Services Charge	1000	$	0.11	kWh	$	111.14
						$ 330.19