

Agenda Report

March 2, 2026

TO: Honorable Mayor and City Council
THROUGH: Municipal Services Committee (February 10, 2026)
FROM: Water and Power Department
SUBJECT: PUBLIC HEARING FOR RECOMMENDED ELECTRIC RATE ADJUSTMENTS

RECOMMENDATION:

It is recommended that the City Council:

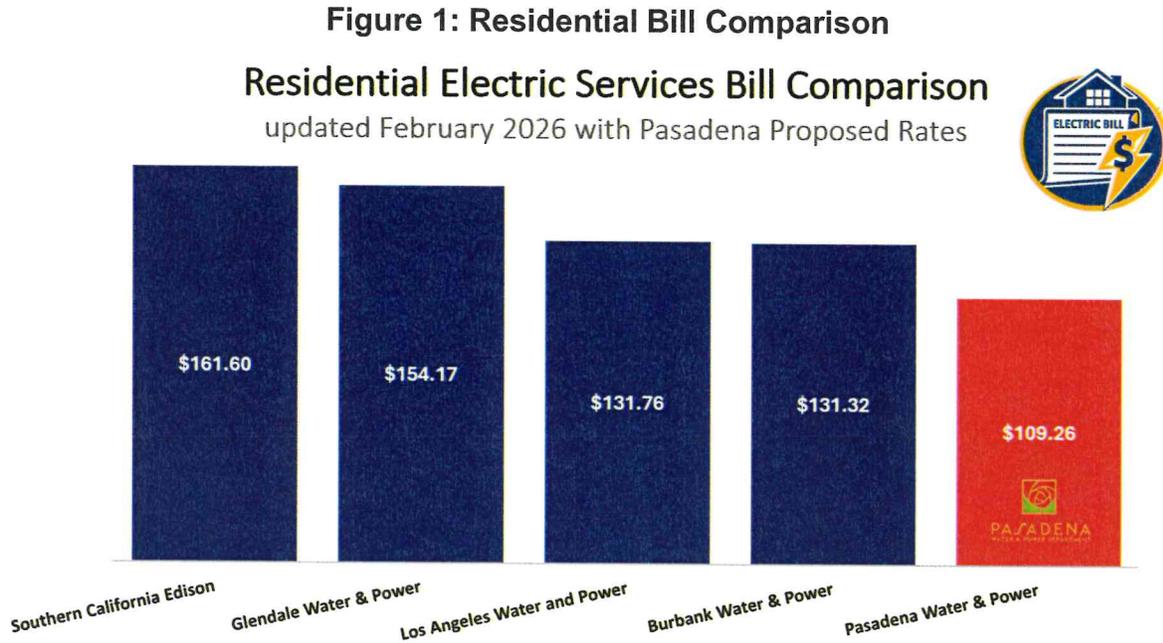
- 1) Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) pursuant to Section 21065 of CEQA and Sections 15060(c)(2), 15060(c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
- 2) Open a public hearing to receive public comment, and continue for no less than two weeks, regarding the recommended electric rate adjustments and amendments to the Light and Power Rate Ordinance, Title 13, Chapter 13.04 of the Pasadena Municipal Code ("PMC").

BACKGROUND:

After extensive community engagement process and study, Pasadena Water and Power ("PWP") is proposing rate adjustments to ensure reliable, affordable and clean power for every customer, now and for generations to come. The public hearing is to receive public comments regarding potential adoption of an amended Light and Power Rate Ordinance (PMC Chapter 13.04) and the associated Utility Rate Resolution. These actions will modernize the ordinance by eliminating outdated provisions, aligning terminology with current industry standards and best practices, and streamlining governance by moving all rate figures to the Utility Rate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.

ANALYSIS:

After adoption, Pasadena’s electric rates will remain among the most affordable in the region. Figure 1 below represents monthly total single family residential bill with usage of 500 kWh for the month of February 2026. Amounts are based on published rate schedules, using the non-Time-of-Use electric rate, and exclude taxes and non-bypassable surcharges. Information has been sourced from publicly available information at the time generated. SCE includes wildfire insurance fund non-bypassable charges.



Electric rates pay directly for operating and maintaining the system that delivers safe, reliable power to every home and business in Pasadena. Below is how the utility’s annual revenue is allocated across key functions.



Current electric rates are insufficient to meet projected revenue needs, with a shortfall of approximately \$67.9 million over 2 years. The revenue needs are driven by the rising cost of equipment, the need for reinvestment in the power grid and the cost of power resources. This is all done while planning for long-term financial stability of the electric system. The materials we need to keep the lights on 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. 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, PWP is reinvesting in the grid.

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. Customers can explore the potential impact to their bill, as well as review the extensive materials and reports that support the recommendation at: <https://pwp.cityofpasadena.net/electric-rate-study/>.

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, the system effective rate increases will be 7% for each customer class in each phase, demonstrating a gradual and stable approach to rate increases. This alternative will draw down an additional \$32 million draw down of cash reserves if implemented in March 2026, October 2026 and March 2027.

For the residential customers, because rates are restructured, not simply increased across the board, customers will experience different impacts depending on their usage. The majority of customers will see little to no change or even a decrease. As seen in figure 2 below, usage will determine impact.

Figure 2: Sample Residential Bills based on usage

Example A — Moderate User Typical family, 500 kWh/month		Example B — Higher User Larger home or higher usage, 1,000 kWh/month	
Customer Charge	\$11.00	Customer Charge	\$11.00
Grid Access Charge	\$6.50	Grid Access Charge	\$6.50
Distribution Charge	\$33.30	Distribution Charge	\$131.42
Transmission Charge	\$8.05	Transmission Charge	\$16.09
Energy Services Charge	\$50.42	Energy Services Charge	\$100.84
Proposed Total	\$109.26	Proposed Total	\$265.85
▼ \$5.75 decrease vs. current rates		▲ \$14.46 increase vs. current rates	

Examples do not include surcharges, taxes, or other utility services. Actual bills will vary.

Chapter 13.04 of the Pasadena Municipal Code has evolved for several decades and was reviewed for modernizations and updates. Staff have proposed recommendations that will modernize, streamline and align the language governing the terms and conditions of the fees and charges for services.

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. The proposed amendments to the Light and Power Rate Ordinance modernize a rate ordinance that in many respects has not been comprehensively updated in decades. The revisions accomplish three primary goals: (1) migrate all specific dollar rate amounts out of the Municipal Code and into a separate Utility Rate Resolution adopted by City Council, enabling rate adjustments without full ordinance amendments; (2) expand and modernize the definitions section to reflect current utility industry terminology and technology; and (3) restructure rate schedules to align with the transition to Time-of-Use (TOU) pricing and Interval Read Capable (smart) Meters. The changes also include targeted clean-up of outdated language, capitalization consistency, and removal of obsolete sections and specifications.

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,



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