

# Agenda Report

March 23, 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 AND ELECTRIC 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) Close the public hearing 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");
- 3) Adopt the Electric Utility Rate Resolution with proposed electric rate adjustments and pricing schedules; and
- 4) Conduct a first reading to amend the Light and Power Rate Ordinance, Title 13, Chapter 13.04 of the Pasadena Municipal Code.

## **BACKGROUND:**

After a comprehensive rate study, the proposed rate adjustments are before City Council to generate sufficient revenue to operate and reinvest in the City's electrical grid. The revenue needs are based on a financial plan that accounts for the realities of increasing costs of supplies for the operations as well as the increased capital investment needs to ensure the long-term integrity of the Pasadena electrical system. As a capital-intensive enterprise, with 77% of the system's cost being fixed, ensuring sufficient cash flow is critical for future solvency and reliability. Figure 1 through 3 below show historical and projected revenue and expenses as well as capital which together

comprise the revenue needs of the system. While revenue and expenses from an operational perspective are stable, the key driver for the needed additional revenue being proposed to collect from ratepayers is for primarily the poles, wires, transformers and rehabilitation and hardening of existing infrastructure. By having the backbone of the electrical system in good repair and status, PWP can then deliver on the City’s goal to reach 100% carbon-free power supply by 2030. The proposed two-year rate adjustments are driven primarily due to the need for the very real and tangible investments and rising costs of the power delivery infrastructure and the improvements needed to bring PWP in alignment with a utility for the future.

Figure 1: Light and Power Fund Historical and Projected Revenue and Expenses (unaudited FY 2026- FY2031)

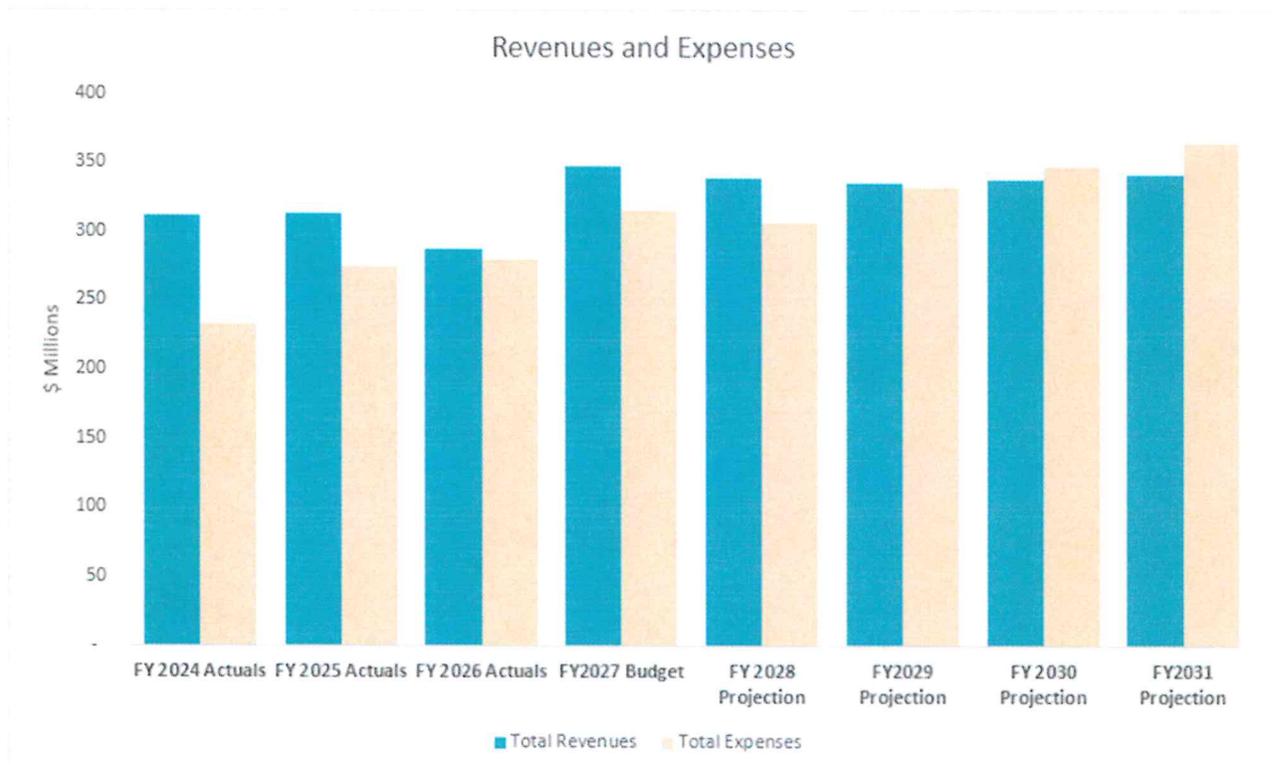


Figure 2: Light and Power Fund Historical and Projected Capital Expenditures (unaudited FY 2026- FY2031)

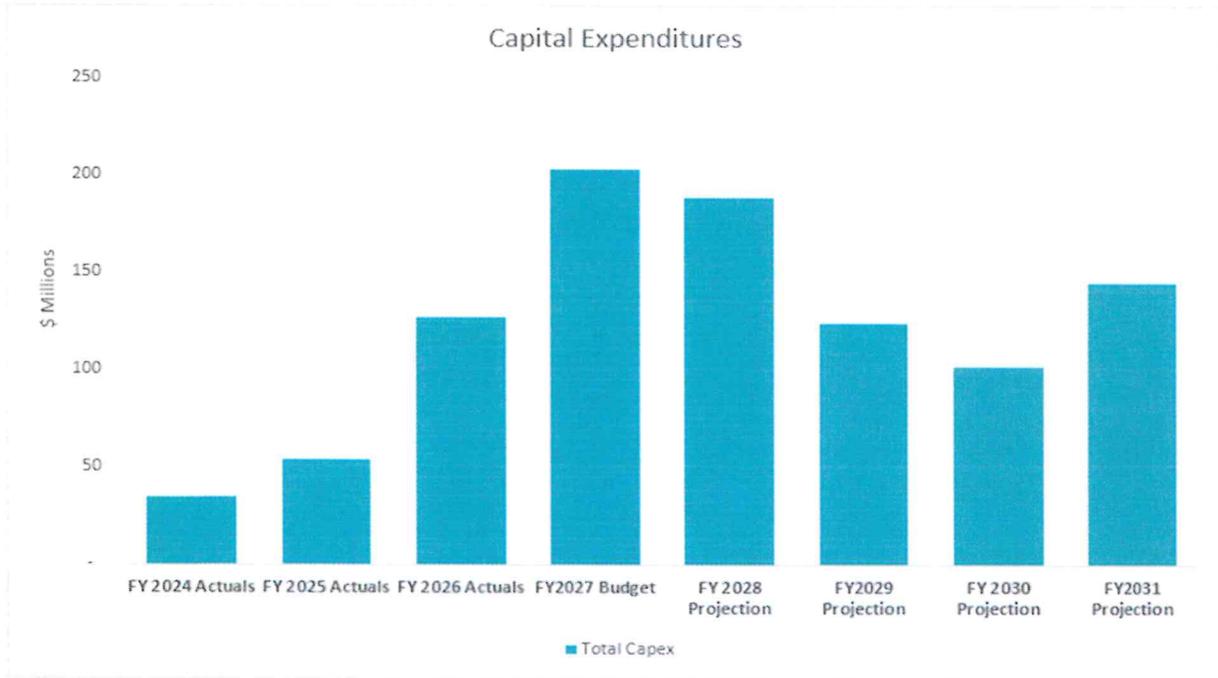
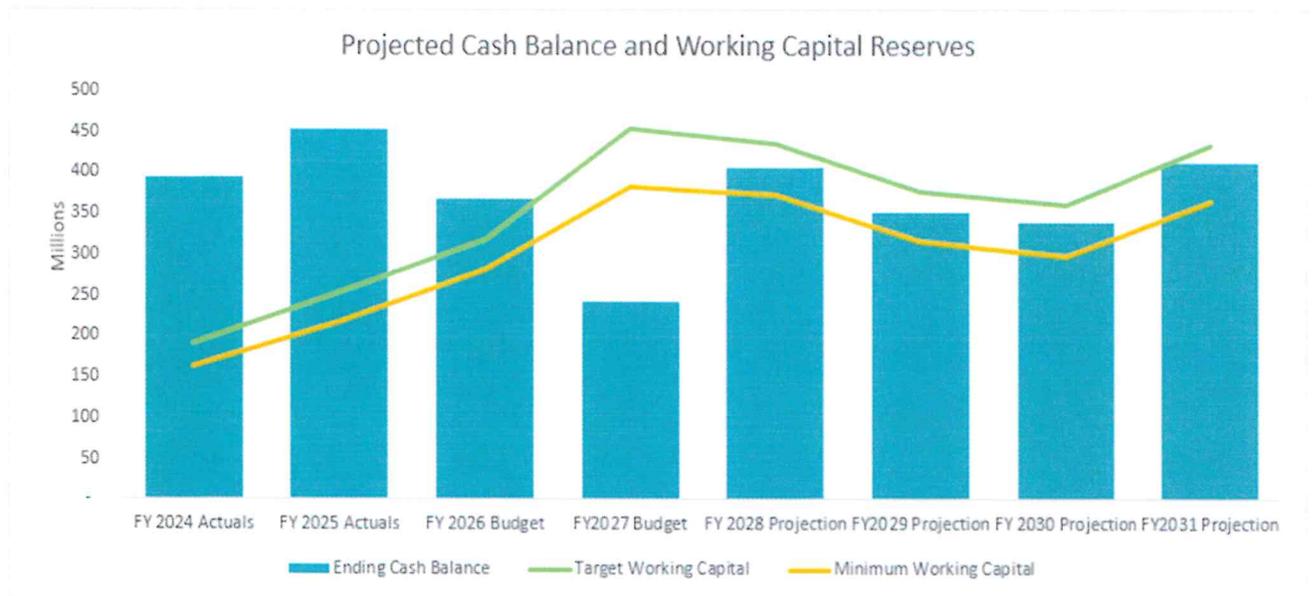


Figure 3: Historical and Projected Cash Balance and Working Capital Policy Targets (unaudited FY2026 – FY2031)



The rate design process has been iterative, incorporating ongoing feedback from the Municipal Services Committee (MSC). Staff presented multiple proposals, each consistent with existing policy and legal requirements, but differing in how much reserve

funding was used, how gradually rate changes were phased in, and how non-rate revenue was applied.

On December 15, 2025, PWP staff presented two initial rate alternatives to MSC. The preferred option at that time proposed three adjustments over two fiscal years. Under that approach, residential customers would see three 10.5% increases—totaling 34.9%—to bring the residential class to full cost recovery.

After MSC requested additional options, staff returned with alternatives that spread increases over more years by lowering the maximum percentage for each adjustment. Staff also provided industry context and further explanation of the factors driving the residential cost-of-service imbalance.

Based on this information, the City Council made a policy decision directing staff to propose a rate plan with three phased increases of 7% each to reduce the impact on residential customers. The rate plan includes the use of approximately \$36 million in cash reserves to meet revenue needs.

**Proposed Rate Change by Phase and Customer Class and System-Wide:**

<b>Classes</b>	<b>Phase 1 April 2026</b>	<b>Phase 2 October 2026</b>	<b>Phase 3 March 2027</b>
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%

**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 Electric Utility Rate Resolution and the associated price schedules for fees and charges will streamline the administrative process for updating rates by removing pricing from code and allowing Council decision through resolution, much like the City's general fee schedule process.

**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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