

## MEMORANDUM

**To:** Pasadena City Council

**From:** Pasadena Environmental Advisory Commission

**Date:** May 14, 2024

**Re:** Water Rates

At the Environmental Advisory Commission’s monthly meeting on May 14, 2024, we received a presentation from the Pasadena Department of Water & Power on the proposed water rate structure that will be considered at a public hearing on June 3, 2024. On the basis of that presentation, our own research, and subsequent discussion within the Commission, we have concerns about the new “Tiered by Customer Class” rates as proposed. We write to explain those concerns and to provide recommendations on direction that the Council should give to PWP regarding the proposed rate structure.

We recognize that PWP is funded by customer rate revenue rather than the General Fund, and thus it is dependent on rate revenue for operations and maintenance, capital investment, debt service, and reserve funding. We also recognize that PWP is now facing increased costs, including aging infrastructure that needs maintenance and replacement, water purchase price increases, inflation that effects construction costs, and power cost increases. As a result, PWP faces costs that will exceed revenue in the years ahead. While the tiered by customer class rate structure proposed by PWP may address some of those concerns, it raises other concerns that we believe demand further study.

First, we are concerned that the new rates will have a disproportionate impact on low- and middle-income households. PWP’s case studies show that a “medium” family would face a 21.6% increase in its monthly water bill under the proposed rate structure, and that a “large” family would face a 23.5% increase in its bill.<sup>1</sup> Such increases would be an abrupt and significant burden on Pasadena residents already feeling the strain of rising costs in other aspects of their lives, including other City services.

Second, we are not convinced that the tiered by customer class rates structure promotes conservation more than the current rate structure (“Tiered by Meter Size”). In light of the ongoing threats to water supply posed by climate change, water conservation should be a paramount goal of any rate structure implemented by PWP. We would expect that any change to the water rate structure would prioritize that objective, yet the assertion that the tiered by

---

<sup>1</sup> See Pasadena Department of Water & Power, “Water Cost of Service and Rate Study,” Municipal Services Committee Presentation, March 26, 2024, at slides 27-28.

customer class rates are “sending a conservation price signal based on the fact that the more water used, the higher the marginal price of that water usage”<sup>2</sup> applies equally to the current tiered by meter size rates.

We recognize that PWP’s rate structure proposal is the result of a tremendous amount of expertise, consideration, and hard work by PWP. We also recognize that PWP needs to take in more revenue than the current rates are generating. Nevertheless, we think that the considerations outlined above deserve further attention. We would like to see PWP undertake rigorous and transparent analysis in the areas of equity and conservation throughout the transition to these new rates, and devise a process to report those findings to the Council.

Along those same lines, we would like to see the Council formally revisit the impact of these rate changes earlier than the proposed 5 year timeline. We encourage a comprehensive review in 2-3 years, with a particular focus on conservation and equity.

Accordingly, we recommend that the Council:

1. Direct PWP to undertake an ongoing analysis of equity and conservation concerns leading up to and throughout the implementation of the new tiered by customer class rate structure.
2. Revisit the impact of the new tiered by customer class rate structures in 2-3 years, rather than the 5 years stated in PWP’s proposal, with specific attention paid to conservation and equity.

We appreciate your consideration of these issues and recommendations.

---

<sup>2</sup> See Agenda Report to City Council from Pasadena Water and Power Department through Municipal Services Committee, April 8, 2024, pg 3.