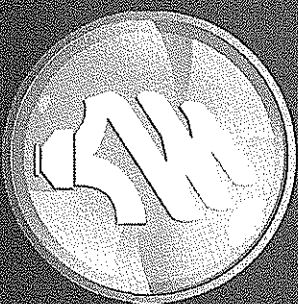
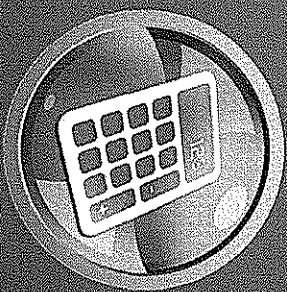


Los Angeles  Department of Water & Power

Proposed Power Rates 2012-2014

Mandates & Reliability

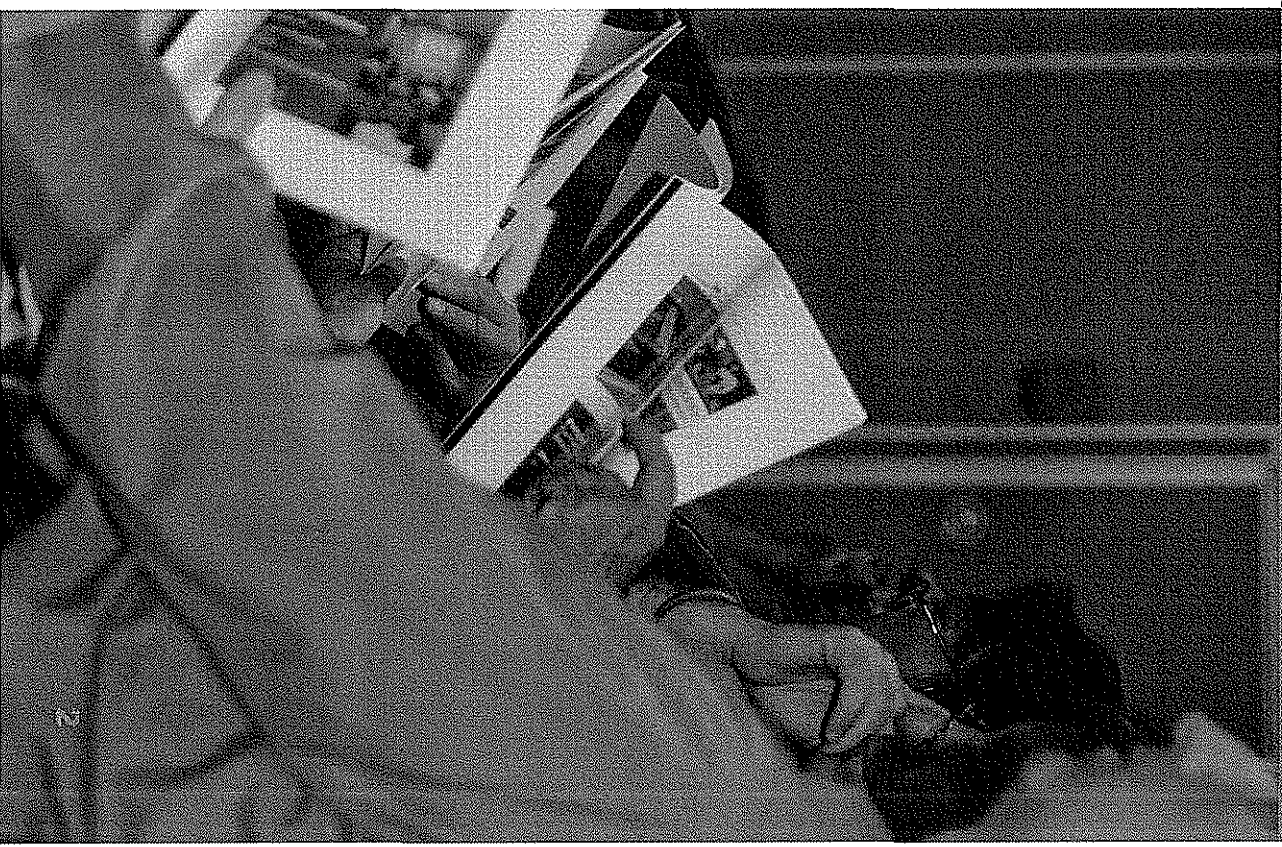


Date: 9-19-12
Submitted by: BTB
Reviewed by: [Signature]
Approved by: [Signature]
Date: 12-10-12
Approved by: [Signature]

Council Energy & Environment Committee
September 19, 2012

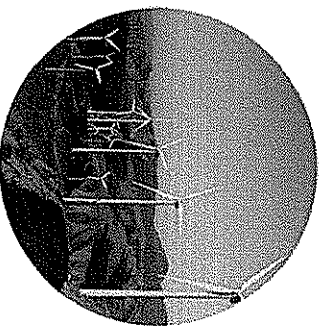
Where We Stand

- Conducted outreach over the past 16+ months on need for additional power and water investments
- Two-part process included 80+ community meetings and countless individual briefings
- We solicited our customers' input & included their priorities in our recommended plans
- We participated in a review for the first time with the City's Ratepayer Advocate
- Ratepayer Advocate's reports and recommendations on Power issued on August 22



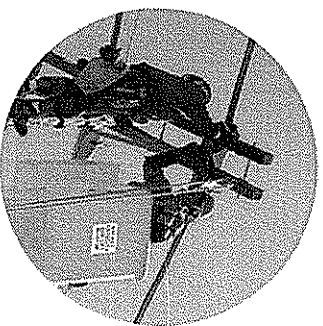
Next Century Power

We have developed a plan and the rates to support it



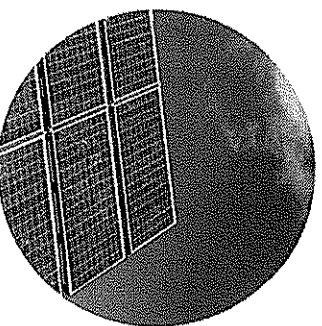
**Power Supply
Replacement
Program**

Rebuilding Local Power Plants
Renewable Energy
Coal Transition



**Power Reliability
Program**

Replacing the rapidly aging backbone of our electric transmission & distribution system (poles, cables, crossarms, etc)



**Customer
Opportunities
Program**

Energy Efficiency
Customer Solar Programs

Implement Programs While Keeping Rates Competitive for Our Customers

Next Century Power

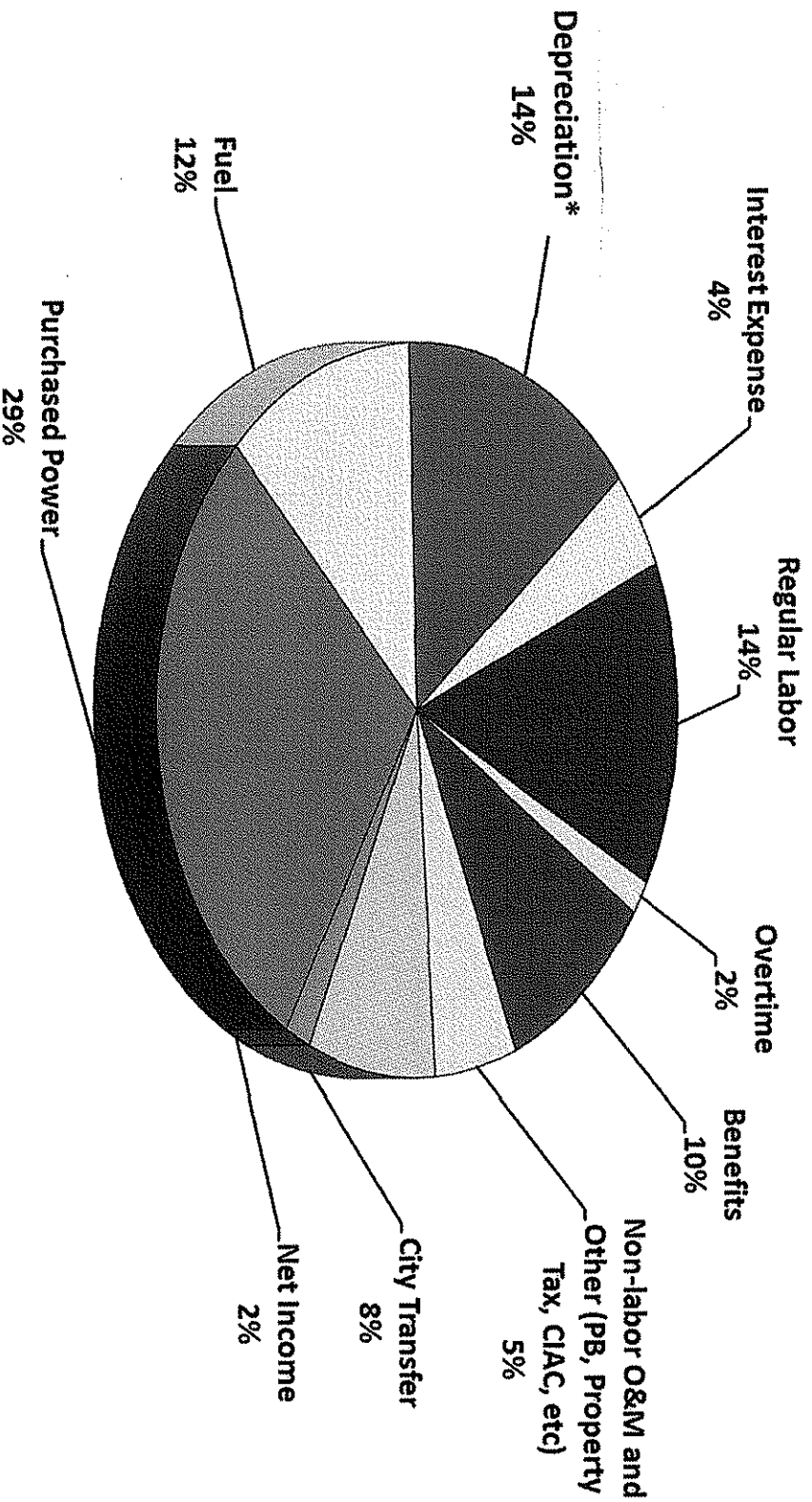
Proposed Power Investments

O&M and Capital Spending

Program	FY 2011/12	FY 2012/13	FY 2013/14
Power Supply Replacement Program	\$711 M	\$756 M	\$764 M
Power Reliability Program	\$708 M	\$785 M	\$885 M
Customer Opportunity Programs	\$138 M	\$193 M	\$204 M
Total	\$1,557 M	\$1,733 M	\$1,853 M

Allocation of Power Costs FY 2012/13

Power Revenue Fund - FY 12/13
\$3,143 Million



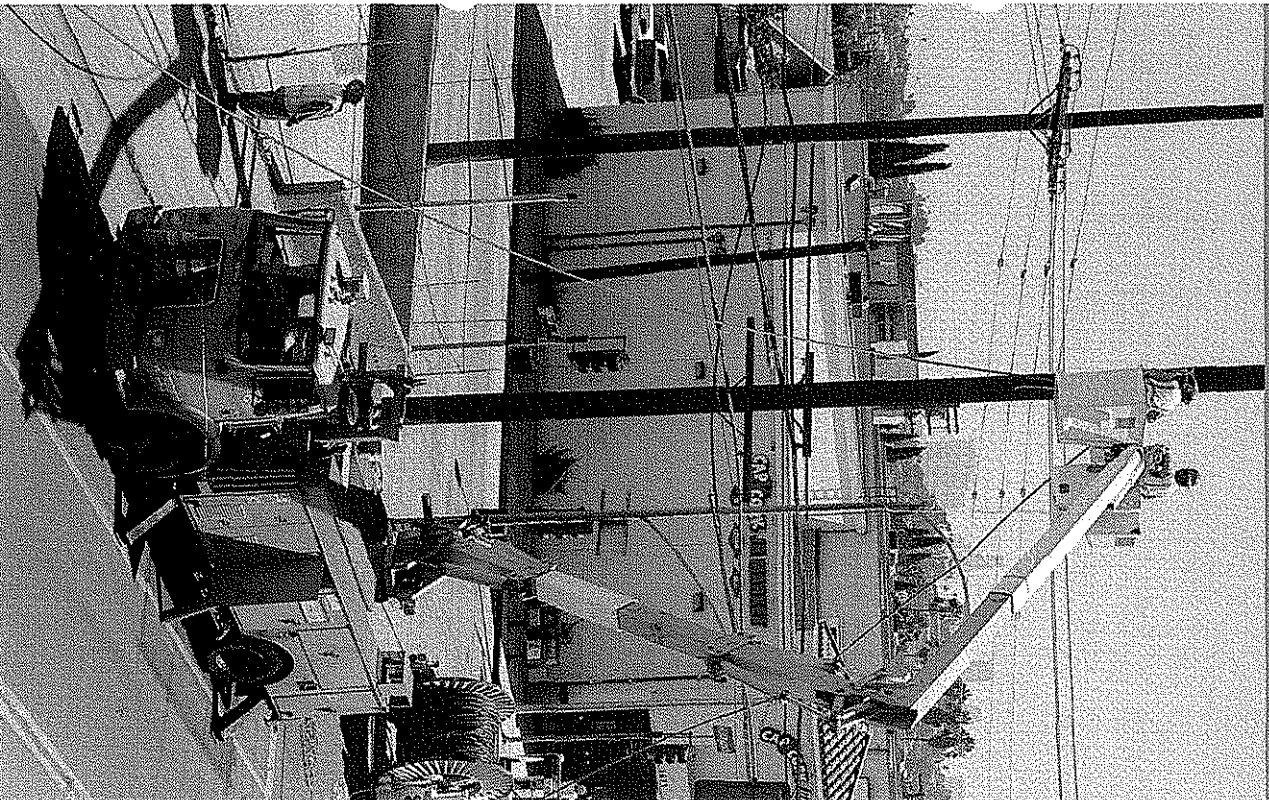
* Approx. 33% of depreciation is past labor related costs.

Status of Power Rates

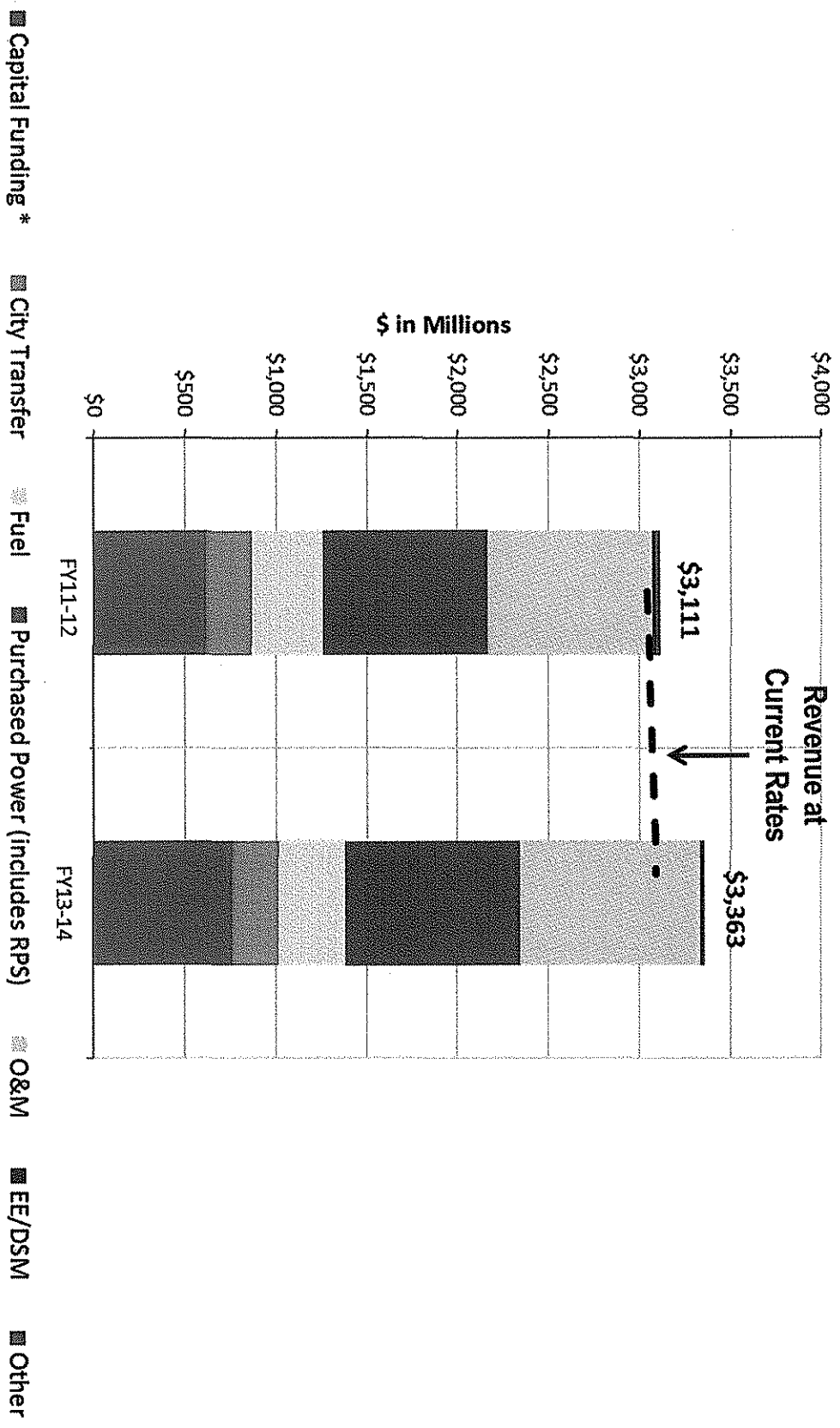
No base rate or Reliability Cost Adjustment increase since July 2009.

No energy or fuel cost adjustment since July 2010.

Regulatory mandates and priority programs **cannot** be completed without rate action this year.

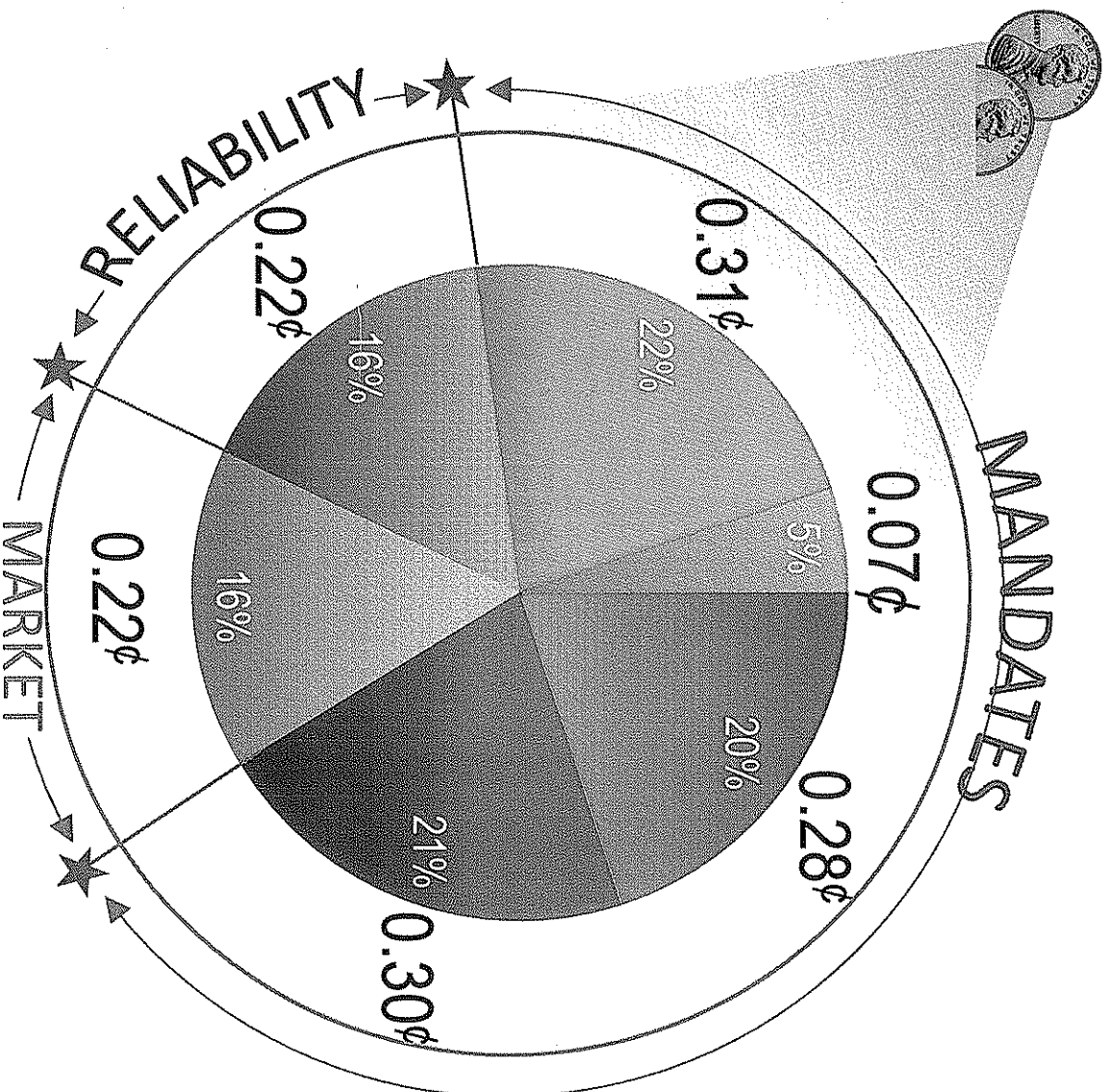


Revenue from Current Power Rates Won't Cover Power System Costs



* Capital Funding includes depreciation, net interest expense, and retained earnings

Drivers of 2-Year 1.4 cent increase per KWh in System Average Power Rate



●	Power Supply Replacement Program
●	Rebuilding Local Power Plants
●	Renewable Energy: 33% by 2020
●	Fuel Increase
●	Power Reliability Program
●	Customer Opportunity Program
●	Energy Efficiency Per Board Directive
●	Local Solar

Fiscal Year 2013/14 vs. Current Year

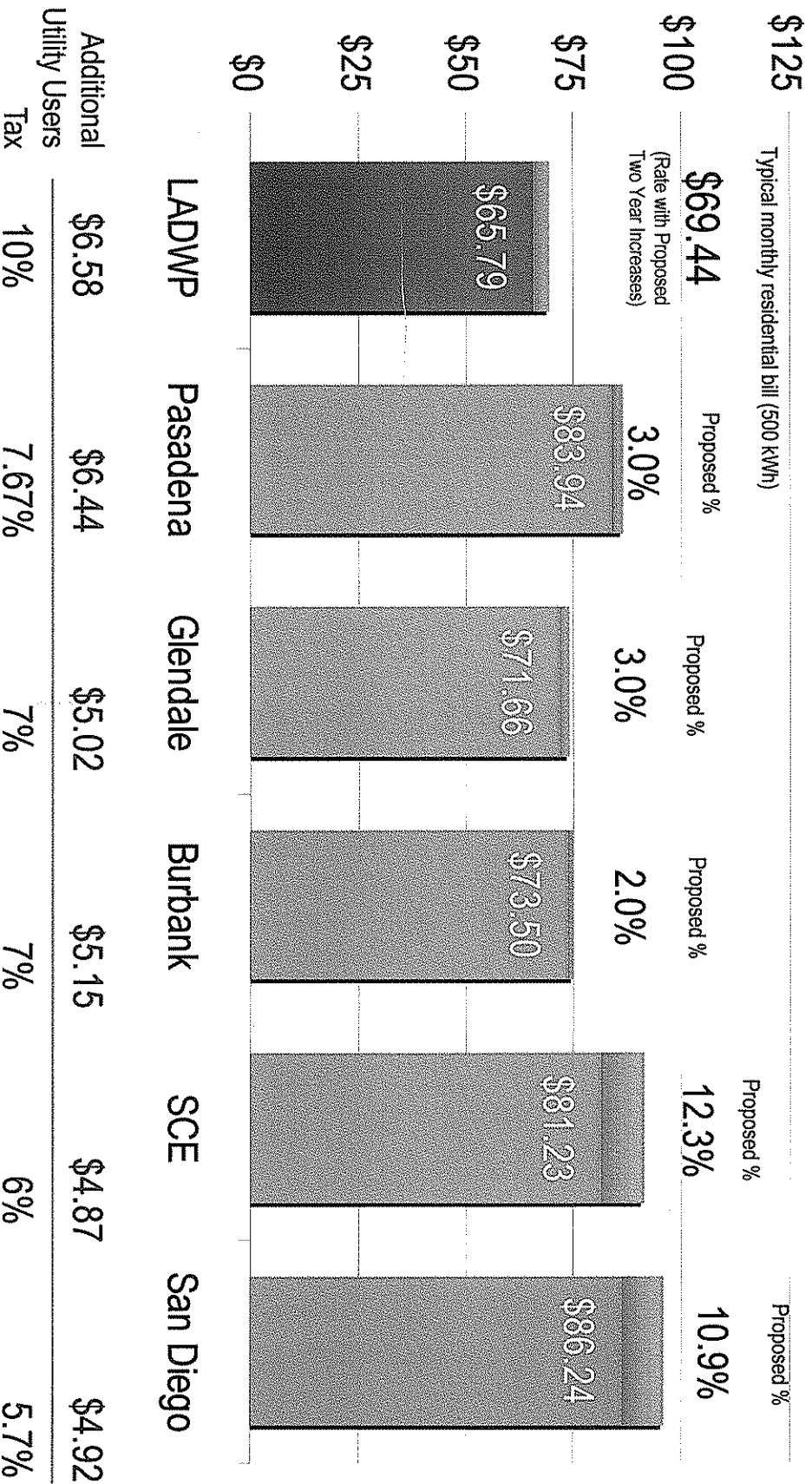
Recommended 2-Year Rate Change with Customer Bill Impacts

		Rate Change		Monthly Bill Impacts		
		System Avg Rate	System Avg % Change*	Typical residential (500 kWh/Month)	High-use single-family residential (1,000 kWh/Month)	Small Commercial (1,000 kWh/Month)
Current Total		12.69¢		\$65.79	\$134.07	\$136.40
Year 1	Power Rate Change (Effective July 1, 2012)	0.62¢	4.9%	\$1.57 (2.4%)	\$8.58 (6.4%)	\$6.39 (4.7%)
Year 2	Power Rate Change (Effective July 1, 2013)	0.79¢	6.0%	\$2.08 (3.1%)	\$10.21 (7.2%)	\$8.56 (6.0%)
Total 2-Year Change		1.41¢	11.1%	\$3.65 (5.5%)	\$18.79 (14.0%)	\$14.95(11.0%)

Note: Rate shown is System Average Rate. Actual rates vary by customer type and consumption levels.

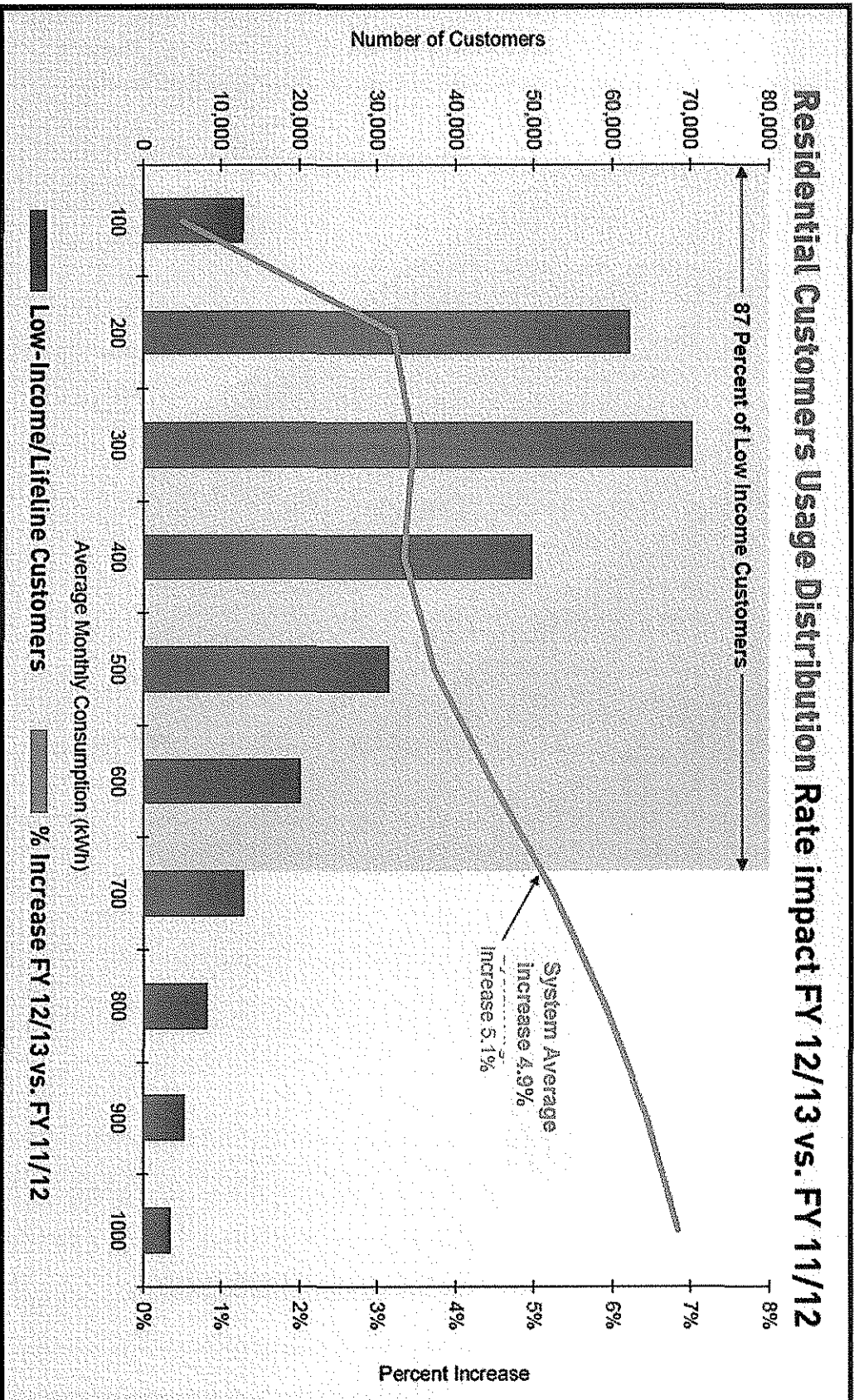
LADWP's Residential Power Rates Remain Competitive

LADWP Average Residential Customers Annualized Monthly Power Bill Comparing with Neighboring Cities (without Utility User Tax) As of July 2012

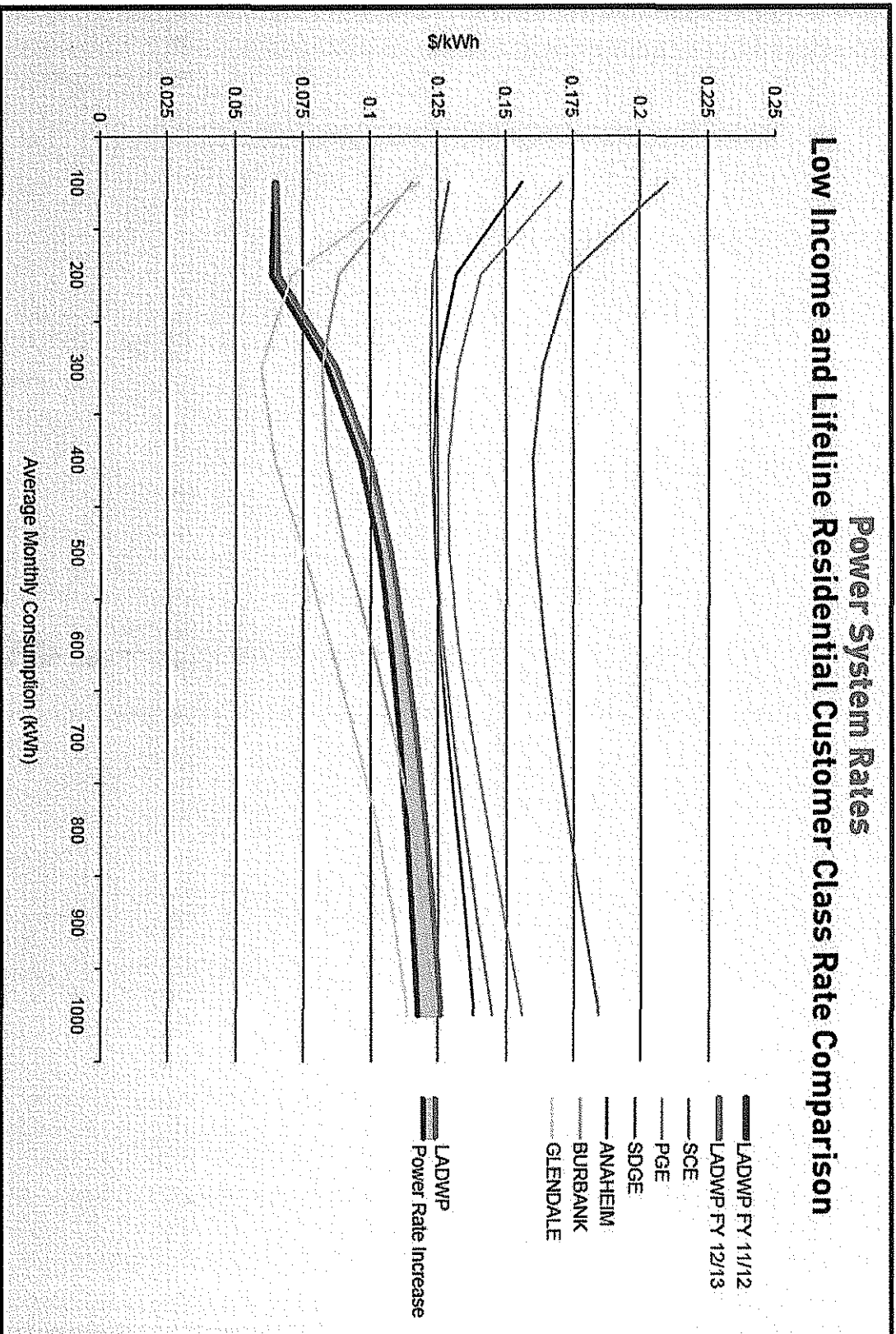


Low-Income and Lifeline Customer Impacts

- Nearly 284,000 electric customers receive Low-Income / Lifeline subsidies.
- 87% will see increases of less than the system average and over two-thirds (those using up to 400 kWh each month) will see increases of less than 3.5%, about \$0.99 or less on their bill per month.



Low Income Rates Compare Favorably to Neighboring Utilities



LADWP Offers Discount Rates & Support for Those Who Need Help Paying Their Bill

Low-Income/Lifeline Discount

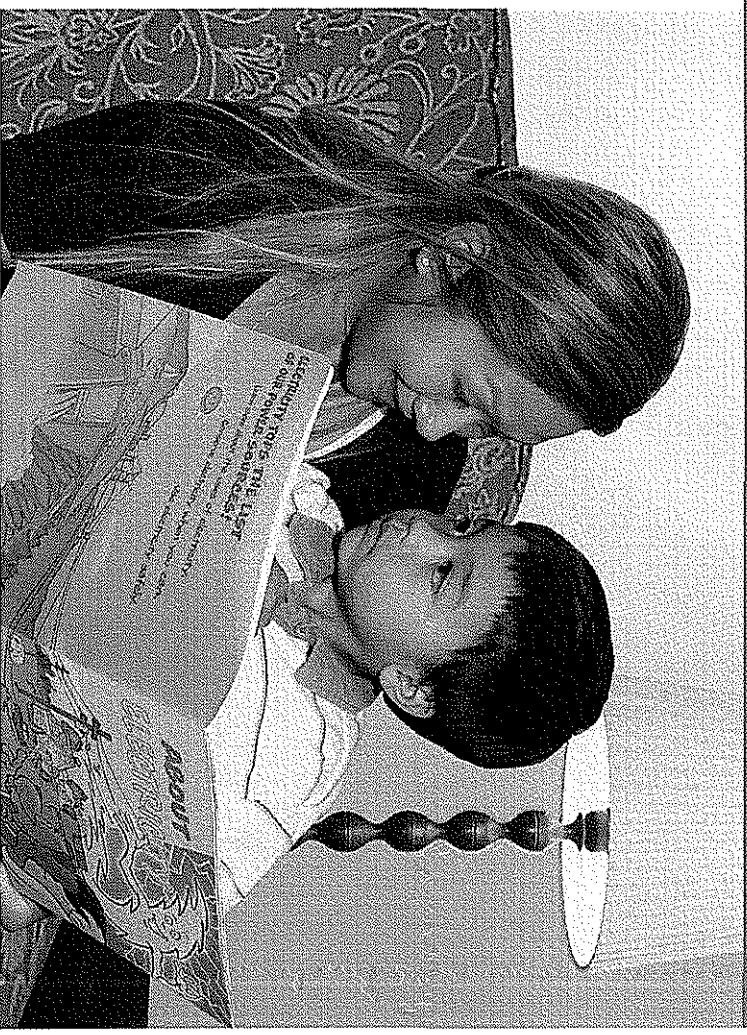
Program: Offsets approximately 20% of bill for income-qualified customers and 30% of bill for seniors and disabled customers.

Refrigerator Exchange Program:

Provided Energy Star® refrigerators to 76,000 low-income customers since May 2007.

Weatherization program to help 3,700 low-income customers.

LADWP will work with any customer in making payment arrangements.



More Financial Support Options:

- Affordable Housing Trust Fund
- Assistance for Hearing-Impaired Customers
- Life-Support Device Discount
- Project Angel (through United Way)

2-Year Power Rate Changes for Commercial Customers

Average Rate Changes

(based on combination of demand and energy charges)

	Medium Commercial (A2)	Large Commercial (A3)	Large Commercial & Industrial (A3 with High Load Factor)
Current Rate (¢/kWh)*	12.39¢	12.31¢	10.80¢
Year 1 Power Rate Change (Effective July 1, 2012)	0.66¢ (5.3%)	0.62¢ (5.0%)	0.50¢ (4.6%)
Year 2 Power Rate Change (Effective July 1, 2013)	0.84¢ (6.5%)	0.78¢ (6.0%)	0.65¢ (5.7%)
Total 2-Yr Change	1.50¢ (12.1%)	1.40¢ (11.4%)	1.15¢ (10.6%)

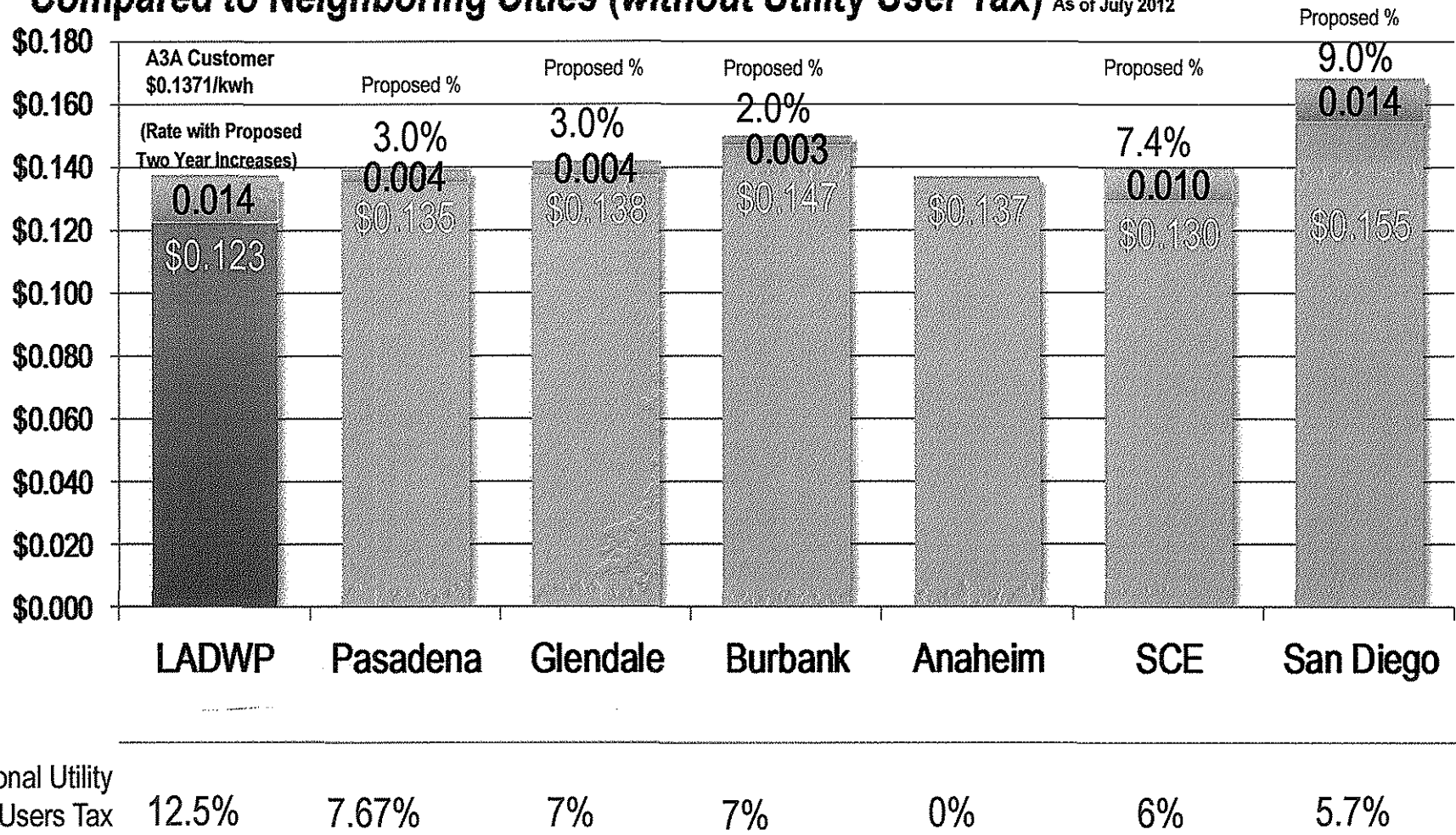
* Total bill excluding tax

Notes:

- Medium Commercial (A2): 50,000 kWh/MONTH; 175kW; LF 40%
- Large Commercial (A3): 300,000 kWh/MONTH; 1,000kW; LF 42%
- Large Commercial & Industrial (A3 with High Load Factor): 240,000 kWh/MONTH; 570kW; LF 80%

LADWP's Commercial Power Rates Remain Competitive

LADWP Commercial Customers-Rates per KWh Compared to Neighboring Cities (without Utility User Tax) As of July 2012



Ratepayer Advocate Report Highlights

RPA Findings & Recommendations (Summary from CAO/CLA Cover Letter)

LADWP's increasing revenue requirements are driven by regulations, power system reliability needs, and credit rating considerations.

LADWP's proposed 5.5% average annual two-year rate increase is determined to be reasonable and warranted.

The surcharge-based restructuring approach of the two-year rate increase should be revisited in two years and be replaced with fully restructured permanent rates once legal considerations allow.

LADWP's 3-year cost reduction plan launched in 2011 has met or exceeded its first year objectives through the implementation of a hiring freeze, eliminating vacancies, reducing overtime costs, refinancing debt and increased collections.

Achieving operational cost containment will help mitigate significant future rate increases. Many of LADWP's transformational changes cannot occur without renegotiating existing labor contracts, which expire in approximately two years.

Rate Review/Approval Timeline

