Los Angeles Department of Water & Power

Putting Our Customers First

WATER & POWER RATES REQUEST, 2016-2020

Presentation to the Los Angeles City Council

March 2, 2016

Priorities for Rates Request

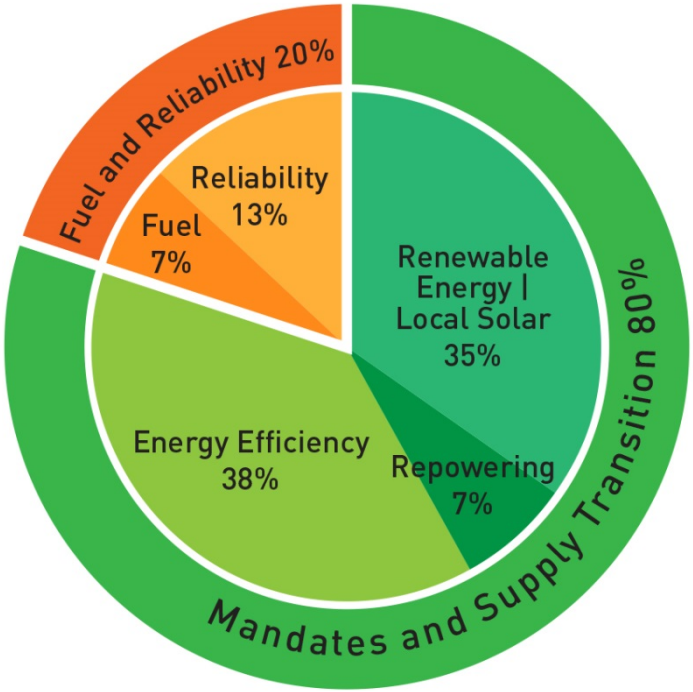
Replace aging infrastructure

Protect from drought, transform supplies & meet mandates

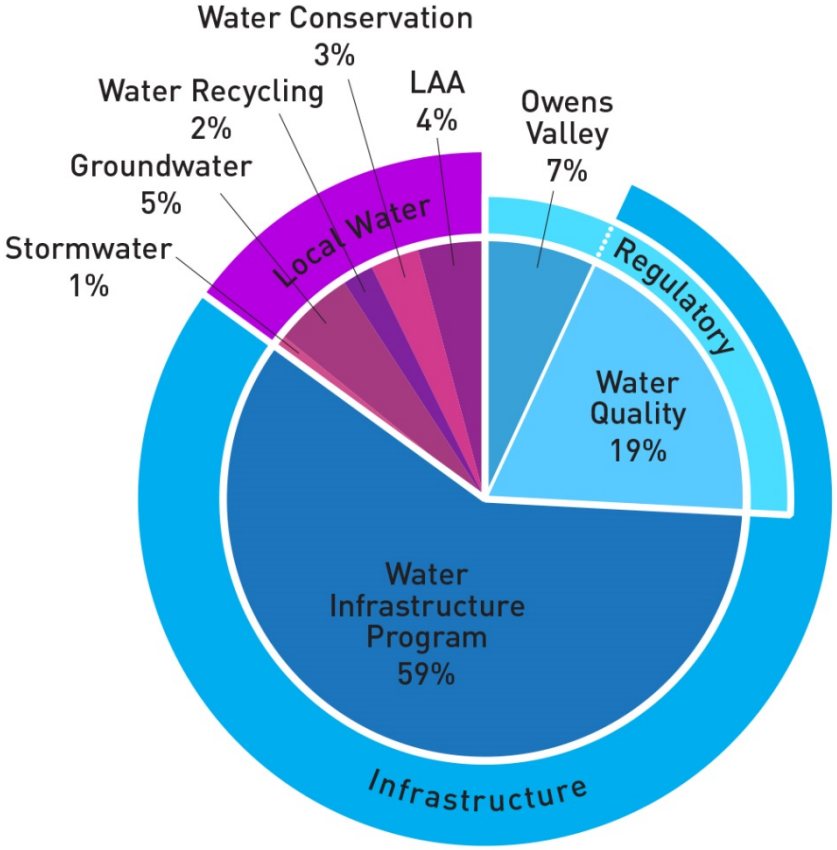
Improve customer service & keep rates competitive

How Does This Break Down?

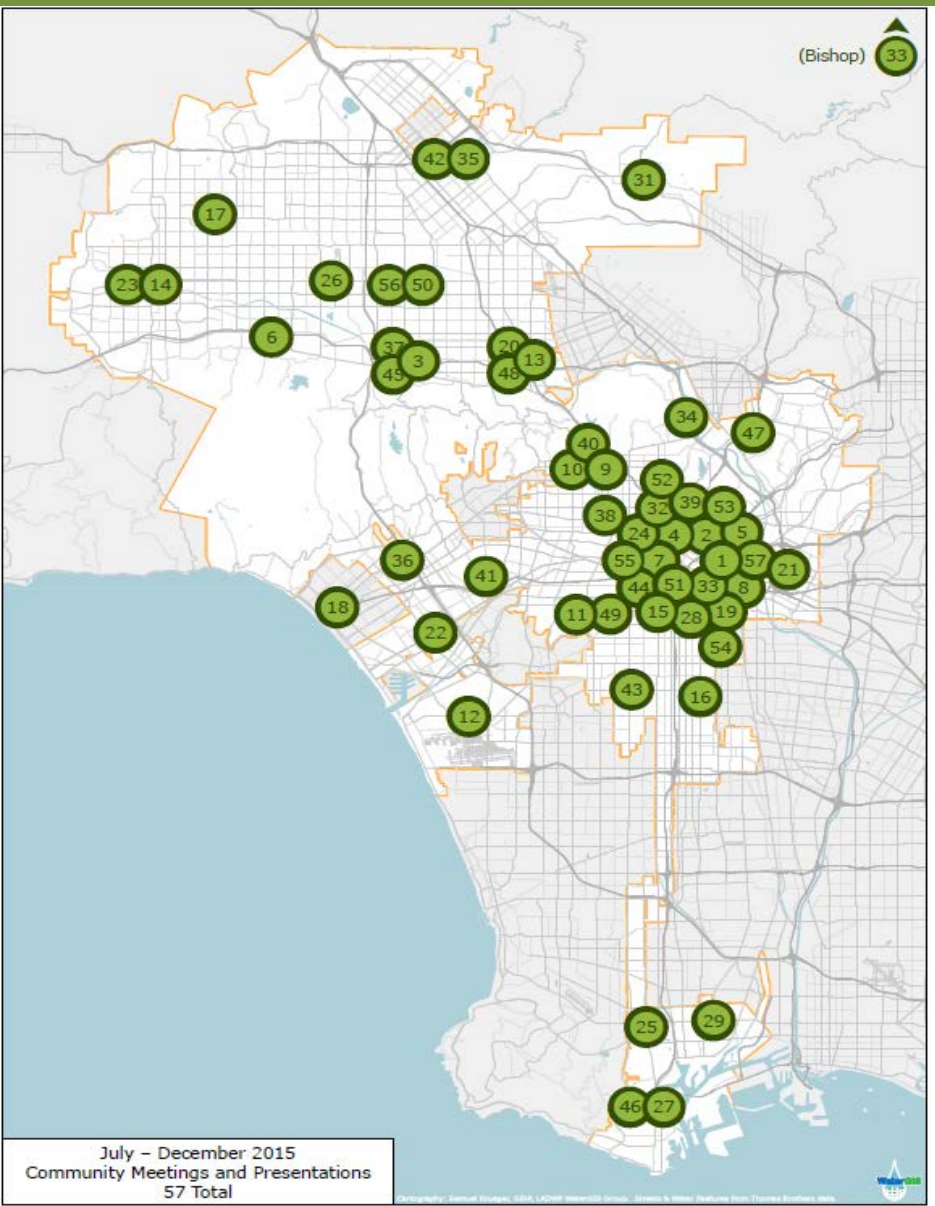
Mandates: 80% of Power Revenues



Infrastructure: 78% of Water Revenues



Outreach Summary - Meetings



80+ rates presentations across Los Angeles since July

- 19 Regional Meetings
- 16 Business & Commercial Customer Briefings
- 18 NC, Community & HOA Briefings
- 8 Environmental, Legislative Briefings
- 2 Webinars
- 1.8 million emails to stakeholders
- **384,386 video views**
- **236,886 website views**

Recommended 5-Year Rate Changes with Residential Bill Impacts

Half of residential customers will realize a combined Water and Power Average Annual Increase of 3% or less.

	Low-Use Residential (250 kWh/Month 8 HCF/Month)	Typical Residential (500 kWh/Month 12 HCF/Month)	High-Use Residential (900 kWh/Month 27 HCF/Month)
Current Monthly Bill	$74.97	$130.67	$276.03
5-Year Avg. Annual Power Rate Change	$.84 (2.2%)	$1.17 (1.56%)	$5.26 (3.45%)
5-Year Avg. Annual Water Rate Change	$1.07 (2.6%)	$3.02 (4.8%)	$11.05 (7.2%)
5-Year Avg. Monthly Bill Annual Change	$1.91 (2.4%)	$4.20 (3.0%)	$16.31 (5.3%)
Average New Monthly Bill At the End of 5 Years	$84.49	$151.65	$357.56

Ways to Save

We continue to expand Customer Programs that help manage bills and benefit the environment

AIR CONDITIONING TUNE UP PROGRAM

- Can reduce cooling costs 20% - 30%
- Extends life of the AC Unit

POOL PUMP REBATES

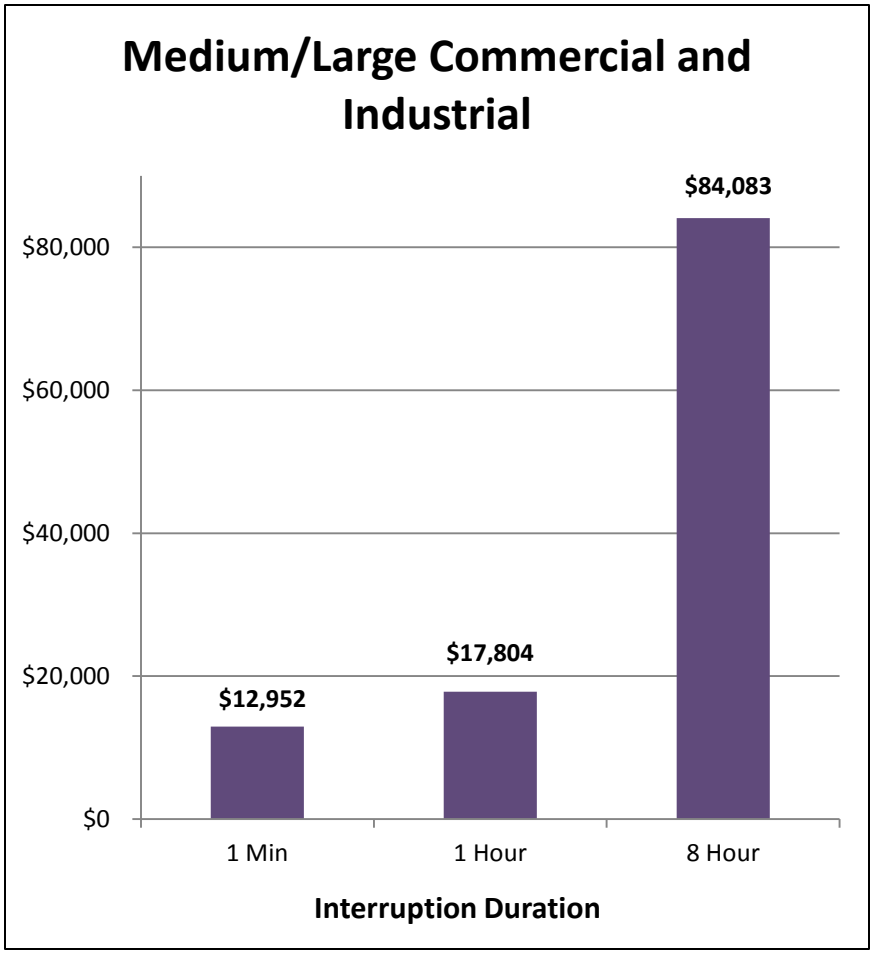
- Variable Speed: $1000 incentive and $33 average monthly bill savings

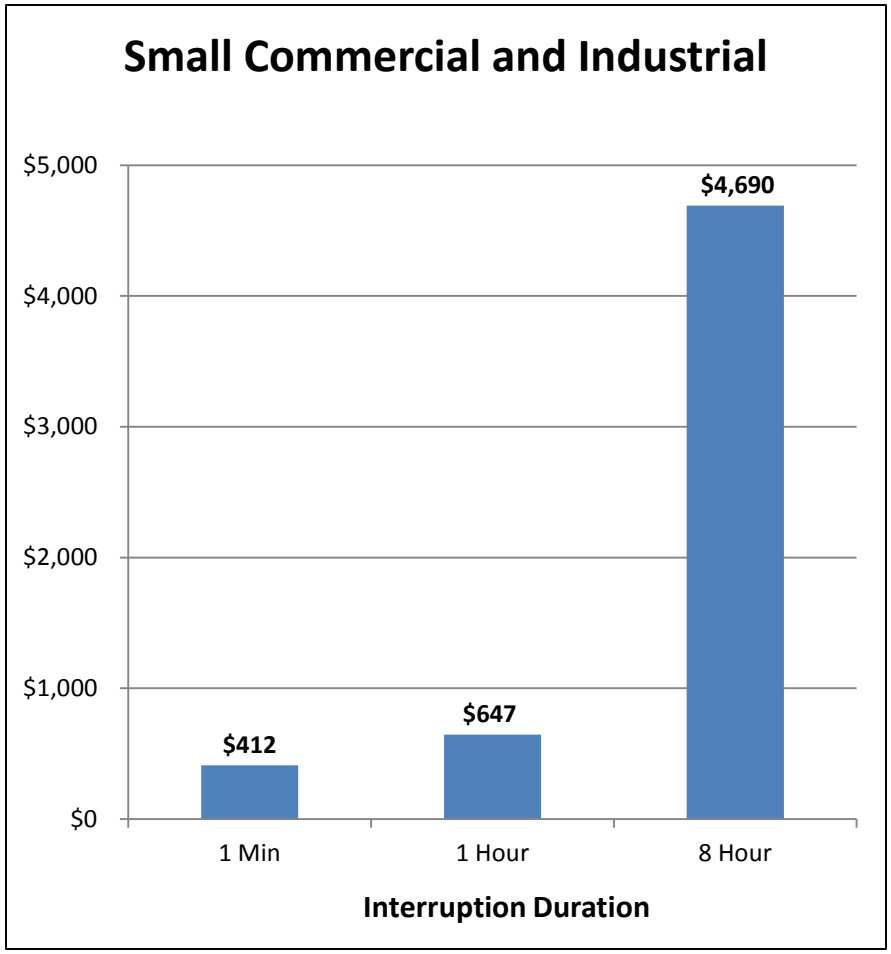
Water Conservation

- Commercial Rebates
- for Water-Saving Measures
- Technical Assistance
- Education & Outreach

POWER RATE ACTION

Customer Costs of Power Interruptions

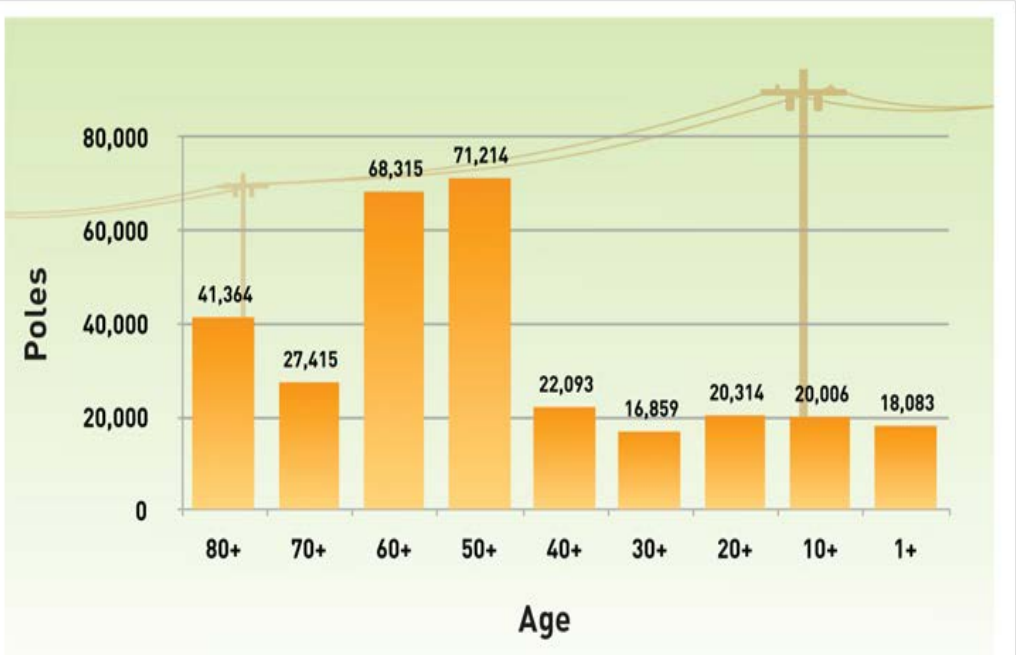




"Updated Value of Service Reliability Estimates for Electric Utility Customers in the United States." Ernest Orlando Lawrence Berkeley National Laboratory, January 2015
(https://gig.lbl.gov/sites/all/files/lbnl-6941e.pdf)

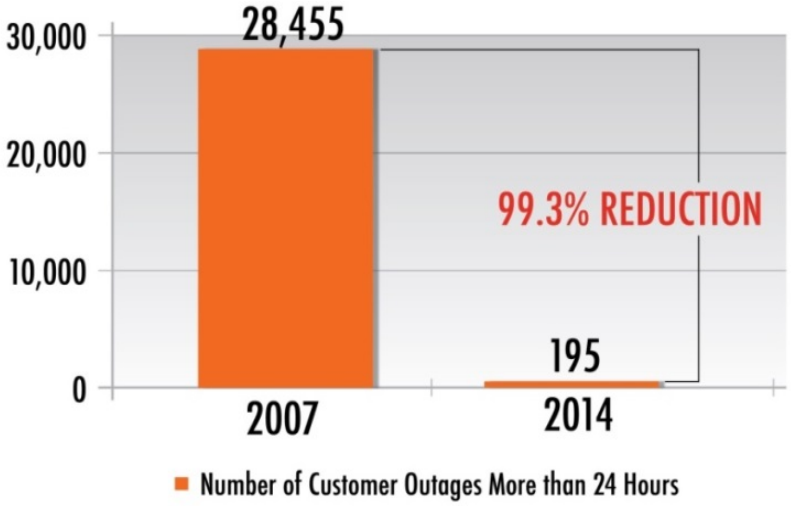
Proactive Investment in Power Infrastructure:
Increasing Reliability, Creating Jobs and Saving Money

Power poles: Critical infrastructure that's aging rapidly



Aging & Vulnerable Power Infrastructure
Roughly 43% of power poles are 60 years or older; nearly 65% are over 50 yrs. old.

2007 vs. 2014 Heat Storms



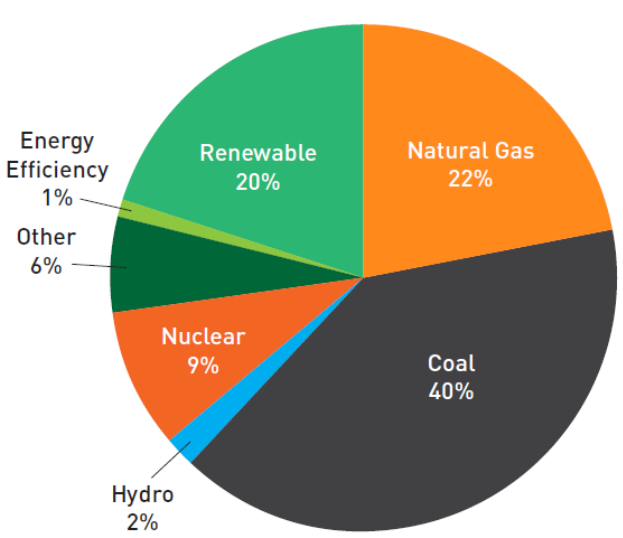
Heat Storms

- Replacement of distribution transformers after 2007 heat storm
- Reduced customer outages over 24 hours by 99% during 2014 heat storm

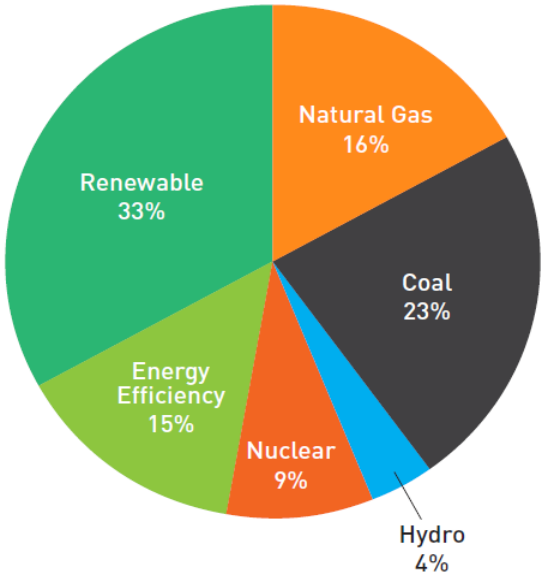
Power Supply Transition & Mandates

Meeting mandates and reducing CO_2 emissions 60% by 2026 to create clean energy for our customers.

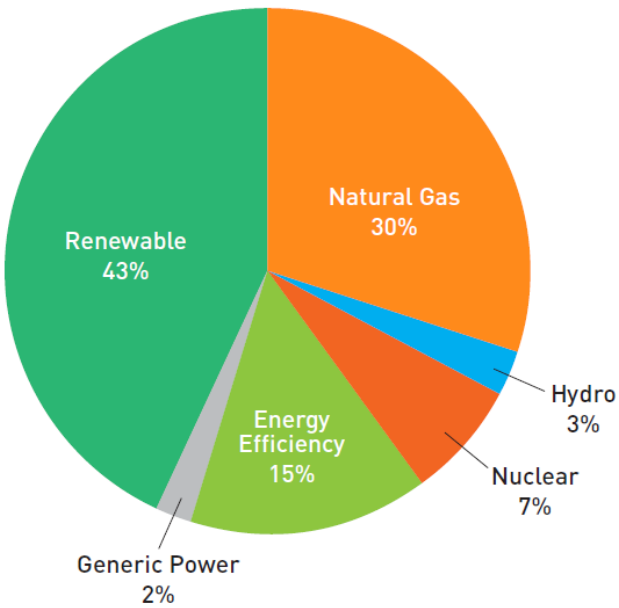
2014



2020



2026



CO_2 emissions: 14.9 mt (metric tons = mt)

10.4 mt

5.9 mt

CO_2 emissions in 1990 (reference point): 17.9 mt

Power : 5-Year Spending Plan for Core Initiatives

Historical Average * (in millions)	Core Initiative	5-Yr Average (in millions)	5-Yr Total (in millions)
$525	Power System Reliability Program (PSRP)	$850	$4,249
$800	Supply Transition and Mandates **	$1,057	$5,286
$120	Customer Opportunities Programs	$261	$1,307
$1,445	**Total**	**$2,168**	**$10,841**

*Historical Average based on last completed fiscal years 2012-13 and 2013-14.

**Supply transition and mandates includes coal transition, renewables and repowering.

WATER RATE ACTION

Water Infrastructure Investment

Increases Reliability, Resiliency and Boosts Economy

Aging & Vulnerable Water Infrastructure

~15 million feet (nearly half) of pipe installed over 60 yrs. ago;

Costs:

- Sudden water pipe breaks cost **3x** more than planned repairs
- True costs to society much higher

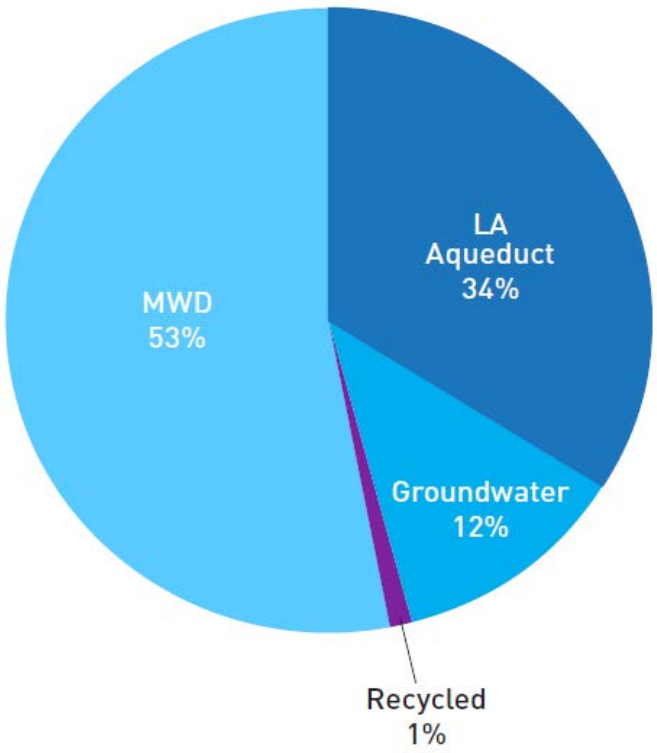
Other benefits:

- Protects public safety & property
- Increases resiliency & reliability
- Reduces loss of water resources
- Supports local water supply
- Less impact on traffic

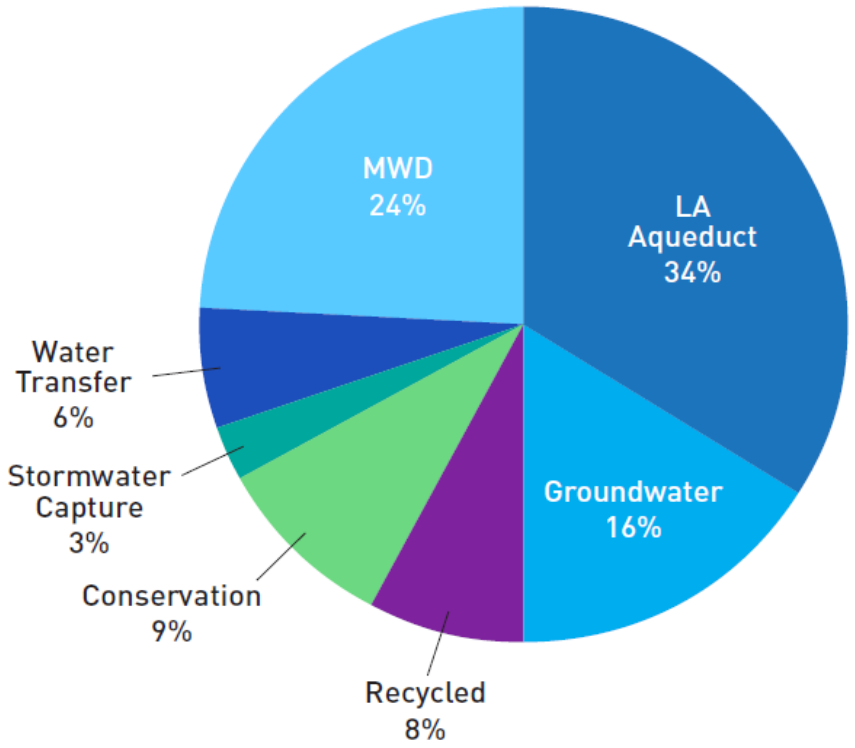
Water Conservation & Expanding Local Supply

Cut purchased water in half while increasing local water supply

FY 2010-2014 Average



FY 2024-2025 Target



Water: 5-Year Spending Plan for Core Initiatives

Historical Average Annual Spend ($M)*	Core Initiative	Proposed Average Annual Spend ($M)	Total Five-Year Spend ($M)
$306	Infrastructure Replacement	$711	$3,553
$134	Supply Transition**	$382	$1,912
$299	Water Quality	$272	$1,362
$103	Owens Valley Regulatory	$209	$1,045
$842	Total	$1,574	$7,872

*Historical Average based on last completed fiscal years 2012-13 and 2013-14.
**Supply transition includes Local Water Supply Programs – recycled water, storm water capture, groundwater remediation

Financial Impacts of Financial Downgrade

In conjunction with the Office of Public Accountability/Ratepayer Advocate and Navigant:

- DWP has evaluated and is using the financial metrics that result in the lowest rate increases
- DWP will be issuing on average approximately $1.6 Billion (Water and Power) in bonds every year for the next 5 years
- If both Systems are downgraded (A+ rating), it is estimated that Water and Power customers would pay $280 million more over the 5 year period