

# NRDC

**Los Angeles City Council, Energy & Environment Committee  
Statement of the Natural Resource Defense Council  
Regarding Los Angeles Department of Water and Power's  
Water Rates  
March 1, 2016**

Good afternoon. I'm Johanna Dyer, a resident of Los Angeles and a staff analyst with the Natural Resources Defense Council (NRDC), a nonprofit environmental organization representing over 2.4 million members and activists. Thank you to Councilmember Fuentes for your commitment to transparency and public outreach in this process, and for allowing Los Angeles residents the opportunity to share our comments today.

In this time of drought, and always, water conservation is important in Southern California. Pricing water appropriately is one of the most critical and cost-effective measures for promoting water conservation, as recognized by Mayor Garcetti in 2014 in his landmark Executive Directive 5, "Creating a Water Wise City."

Los Angeles was innovative and a leader when it first introduced its two-tiered rate structure in the 1990s. But over time, the limitations of a two-tier structure became apparent. The proposed four-tier structure presents an opportunity for LA to lead once again and to promote water conservation where and when we need it most. It's also good to see that LADWP is taking water affordability into consideration as well. Keeping lower-volume users' bills low will help to maintain equity and reward conservation efforts.

We strongly support several key aspects of the LADWP water rate proposal:

- \* The establishment of a 4-tier rate structure for single-dwelling residential customers, to more effectively apportion the costs incurred by the water system to meet peak summertime outdoor water use;

- \* The deferral of the effects of the residential fourth tier until FY 17-18, allowing high volume users time to assess the effects of the new rate structure and take steps to make their water use more efficient;
- \* The adoption of a more rational system of cost adjustments – the so-called “de-coupling” of revenues from complete reliance on the volume of sales, which should encourage DWP management to embrace new water efficiency measures while maintaining revenue stability;
- \* The elimination of rates for large tract irrigation and agricultural uses that are below the cost of service, ending a practice that promotes water consumption and shifts costs unfairly to other customers.

But some features of the proposed rate structure also represent a significant missed opportunity to promote the water conservation necessary to secure the city’s water future. To name one example from LADWP’s proposed rates for single-family residential customers, “excessive use” of water is priced at the Tier 4 rate. But the fact is that significant excessive use is also allowed within Tier 3 at a lower price. The California Model Water Efficient Landscape Ordinance and the Los Angeles Irrigation Guidelines hold an appropriate water allocation to be 70-85% of evapotranspiration (or “ET”)—the amount of water used by cool season turf grass. This number adjusts depending on climate zone, so people in hotter zones are allowed a different volume of water in Tier 3 than those in cooler zones, for example. But LADWP’s proposed rates will allow water use up to 135% of ET—which is by definition excessive—to be priced at the Tier 3 rate, which is not the highest-price tier. Some of the water use permitted within Tier three isn’t just “high use,” it’s excessive. Permitting this high-volume use at to be priced at Tier 3 instead of Tier 4 rates can lead to higher prices for more modest users, and serves as a customer disincentive to taking conservation measures where they’re most needed.

To resolve this problem, we recommend that during LADWP’s mid-rate review period, the water allocations that set the boundaries for Tier 3 rates be revised downward to 85% of evapotranspiration, in keeping with the state and city standards. Preliminary analysis indicates that this simple adjustment in only one tier of one class of water user would result in about 1.7% additional water savings, or 1.1 billion gallons, enough to supply the

indoor water use of 15,625 Los Angeles households for a year. To ease customers into the change in rates and allow them time to adopt water-saving measures, LADWP has already lowered Tier 4 rates for the first two years of the rate period. At the end of this initial adjustment period, LADWP should modify Tier 3 water allocations to exclude excessive use.

To reallocate costs for high-volume use while complying with Prop. 218 limitations, LADWP should apportion water system costs appropriately by considering that high-volume water use comes with additional costs to the system. These include peak pumping and storage costs (which are accounted for in the proposed rates), as well as the costs of purchasing water from more expensive sources, and additional infrastructure costs to handle the higher amount of water needed. LADWP should recover proportionate capital costs from its highest-volume users.

Thank you again for the opportunity to present these comments. We applaud the City Council for taking such a close look at the rates and what they may mean for Los Angeles. We appreciate the positive movement we've seen in LADWP's rate structure and in the agency's efforts to improve public engagement. We urge the City Council to encourage LADWP to improve on these rates before adopting them.