

# Proposed Rates 2012-2014

Mandates & Reliability



June 2012

# Nearly a year ago, we began a conversation about the fundamental reasons LADWP needs to increase Power & Water rates

Legal mandates are driving a complete transformation of our Energy and Water supplies

- *The past year has provided clarity on most of these mandates*

A century of delivering Water and Power requires major investment in replacing infrastructure to maintain reliability



# A Year of Added Clarity of Mandates

LEGAL MANDATE / CONDITION	FINAL ACTION / CERTAINTY
Renewable Portfolio Standard	✓
Once Thru Cooling at Coastal Power Plants	✓
Cap & Trade / Carbon Emissions	✓
CA Dept Of Public Health confirmed reservoir cover deadline cannot be extended	✓
Great Basin Unified Air Pollution Control District made clear it has no intentions of limiting LADWP's obligations to reduce dust in Owens Valley, regardless of any link to LADWP water operations	✓

We also learned that many of our customers support the investments we want to make

## Power Investments

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Energy Efficiency

Renewable Energy

Power Reliability

Accelerated Coal Replacement

## Water Investments

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Pipeline & Related Infrastructure  
Replacement

Local Water Supply

Water Conservation

# 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)



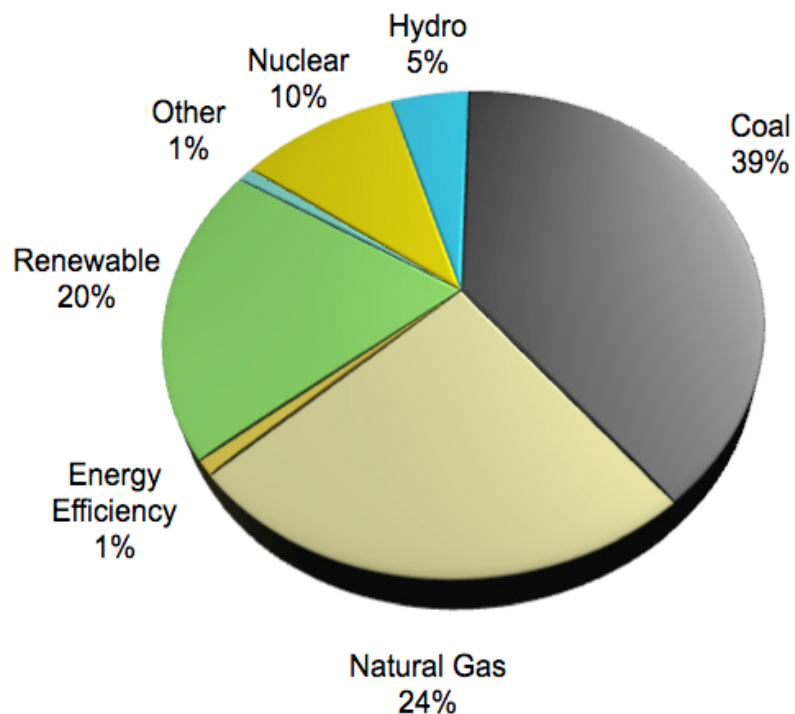
## Customer Opportunities Program

Energy Efficiency  
Customer Solar Programs

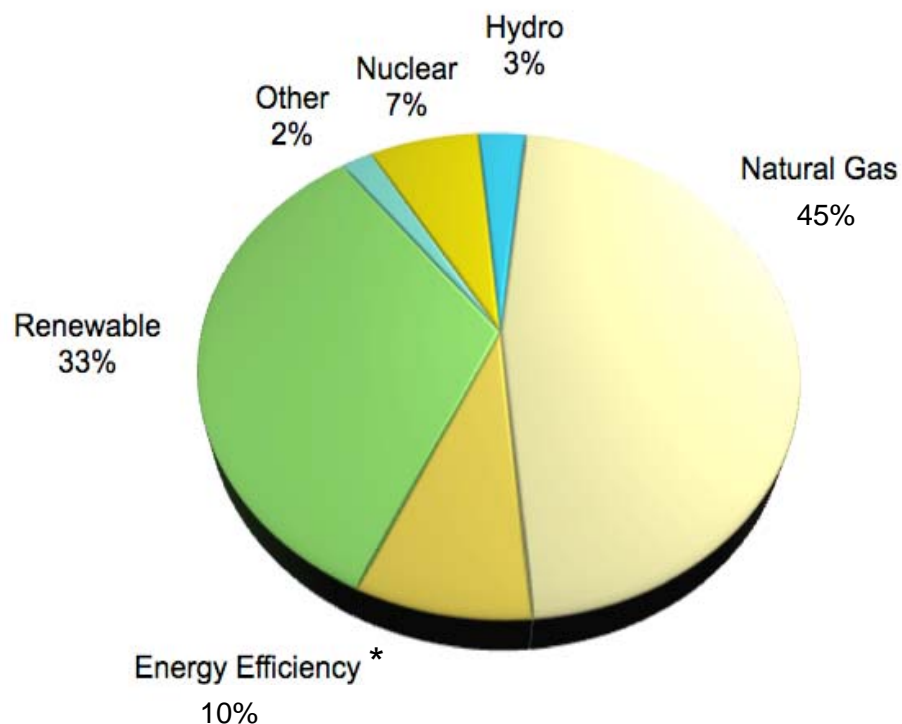
Implement Programs While Keeping Rates Competitive for Our Customers

# Power Supply Replacement Program

## Present



## Future

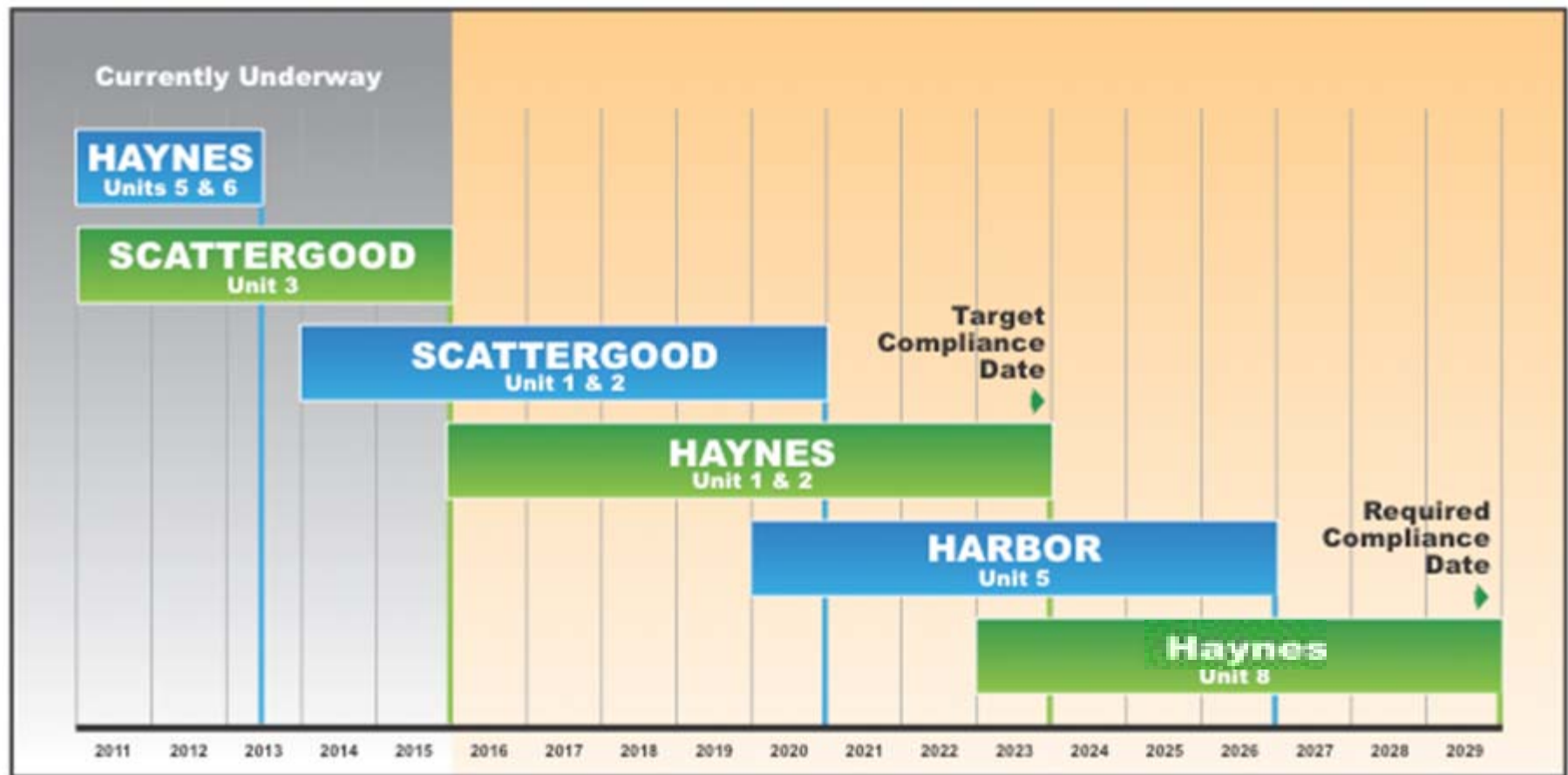


Our power supply was built over past 100 years. We will replace over 70% of it in the next 15 years. Consistent additional investment is needed to keep us on track.

# Power Supply Replacement Program

## Rebuilding Local Power Plants

We are eliminating ocean water cooling at 9 units at 3 coastal power plants to meet State requirements





# Power Supply Replacement Program

## Expanding Renewable Energy

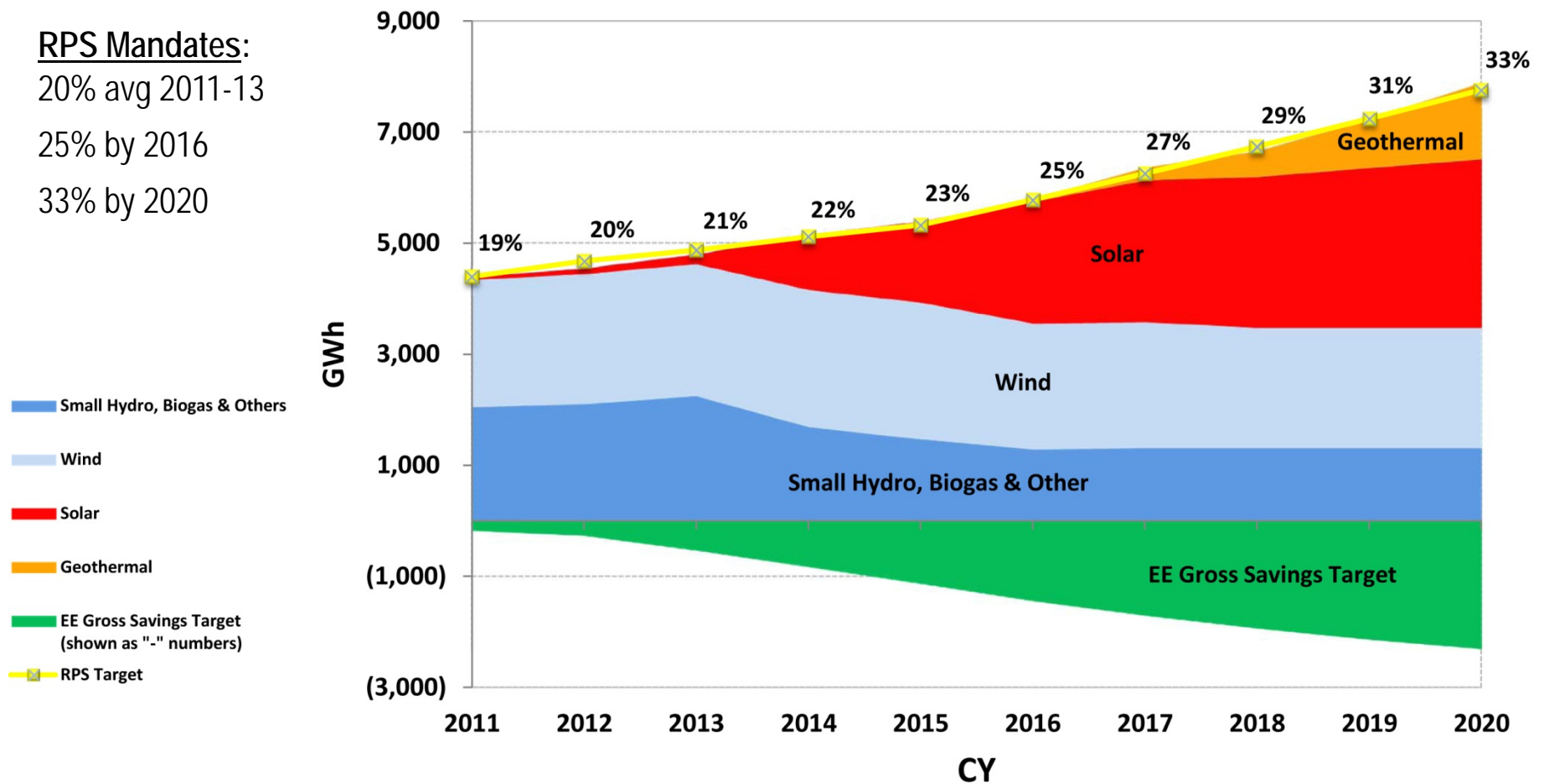
**Additional investment over next 2 years is required to meet the Renewable Energy mandate of 33% by 2020**

### RPS Mandates:

20% avg 2011-13

25% by 2016

33% by 2020



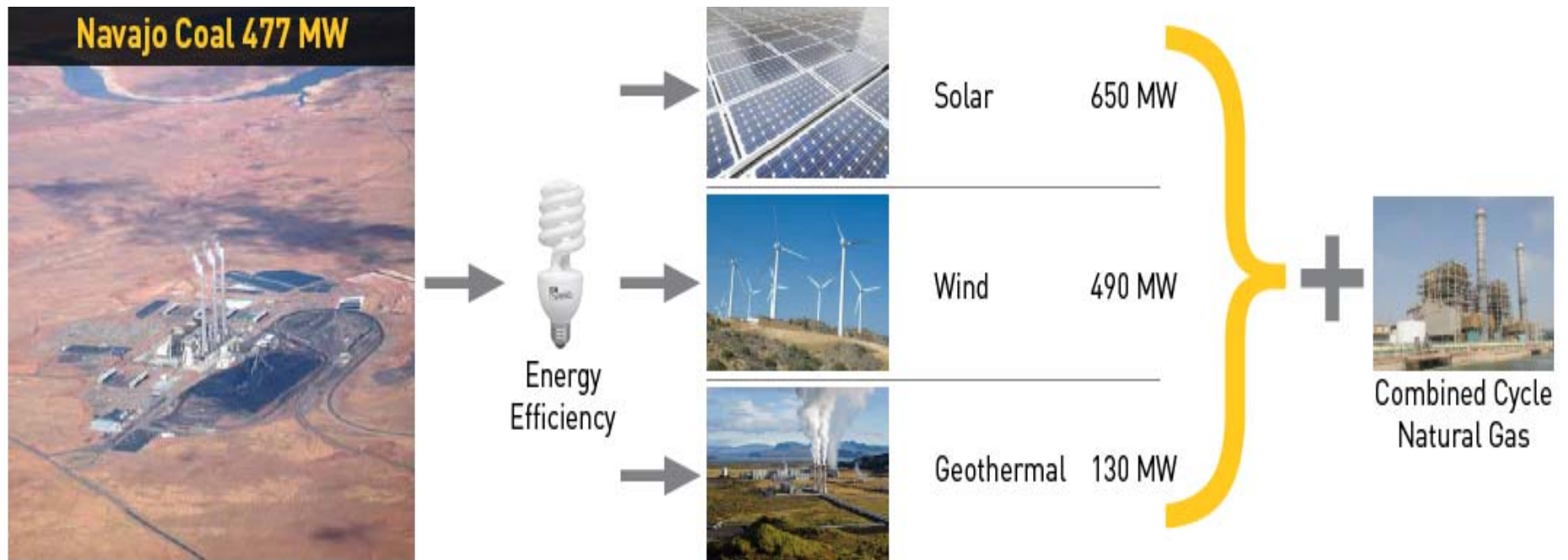


# Power Supply Replacement Program

## Coal Transition – Part of an Integrated Plan

### REPLACEMENT RESOURCES

LADWP plans to terminate Navajo coal project participation by 2015.  
Energy efficiency and renewable energy additions in next  
2 years and beyond support early exit.



# Power Supply Replacement Costs

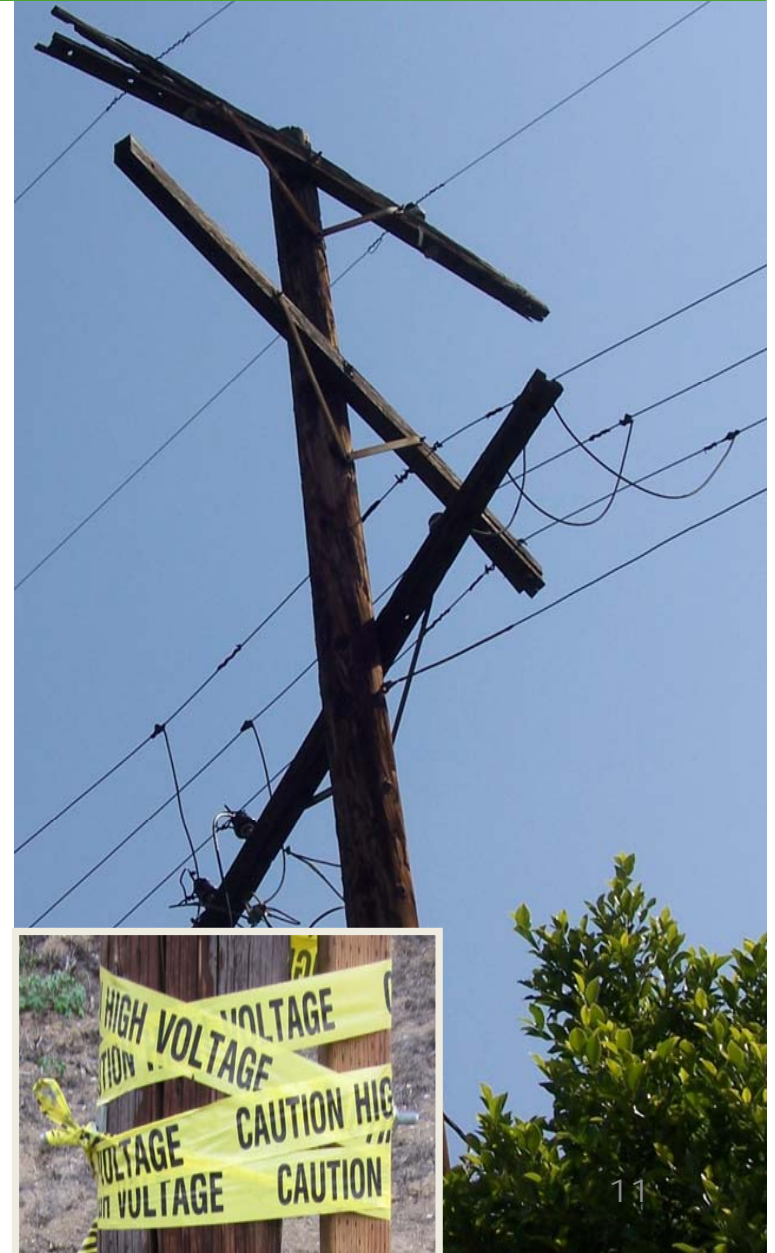
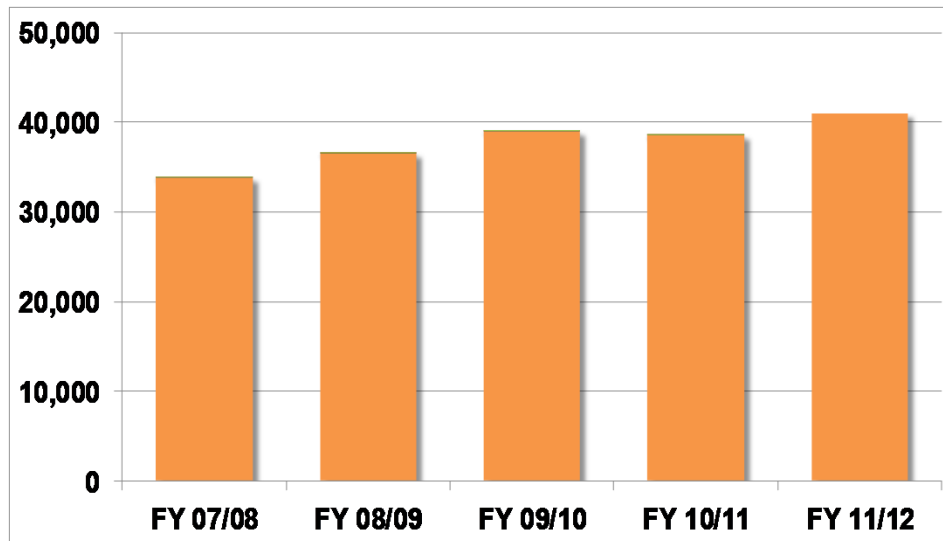
## FY 2012 - 2014

Program	Costs 2011/12	Costs 2012/13	Costs 2013/14
Rebuilding Local Power Plants	\$396 Million	\$428 Million	\$402 Million
Renewable Energy towards mandate of 33% by 2020	\$315 Million	\$328 Million	\$363 Million
<b>Total</b>	<b>\$711 Million</b>	<b>\$756 Million</b>	<b>\$764 Million</b>

# Power Reliability Program

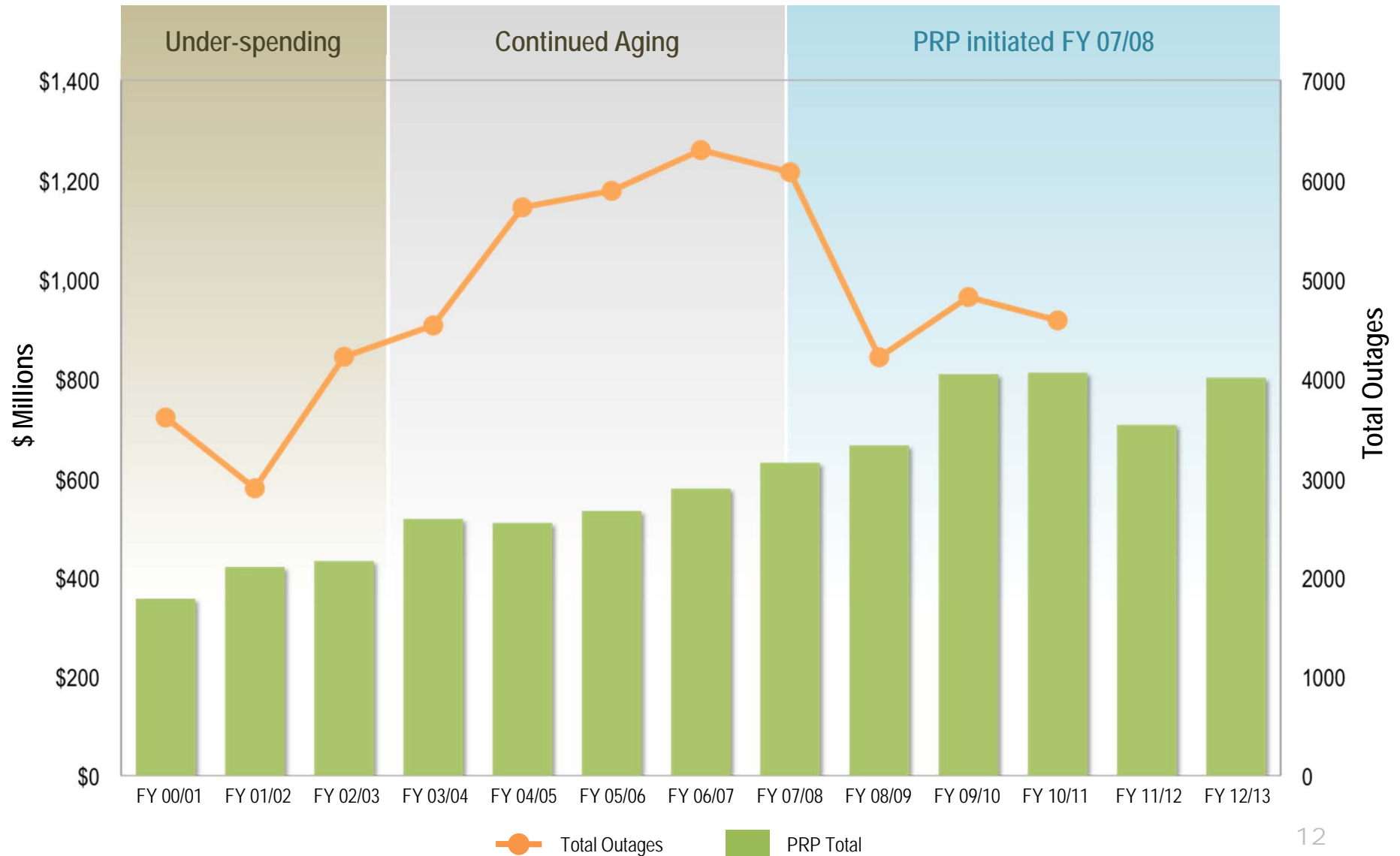
Our Power System infrastructure is aging rapidly and needs accelerated repair and replacement

The maintenance backlog is growing:  
We have 41,000 “fix-it tickets” in the queue. It would nearly take 3 million work hours to catch up



# Power Reliability Program

## Reduce Long-term Trend of Increasing Outages



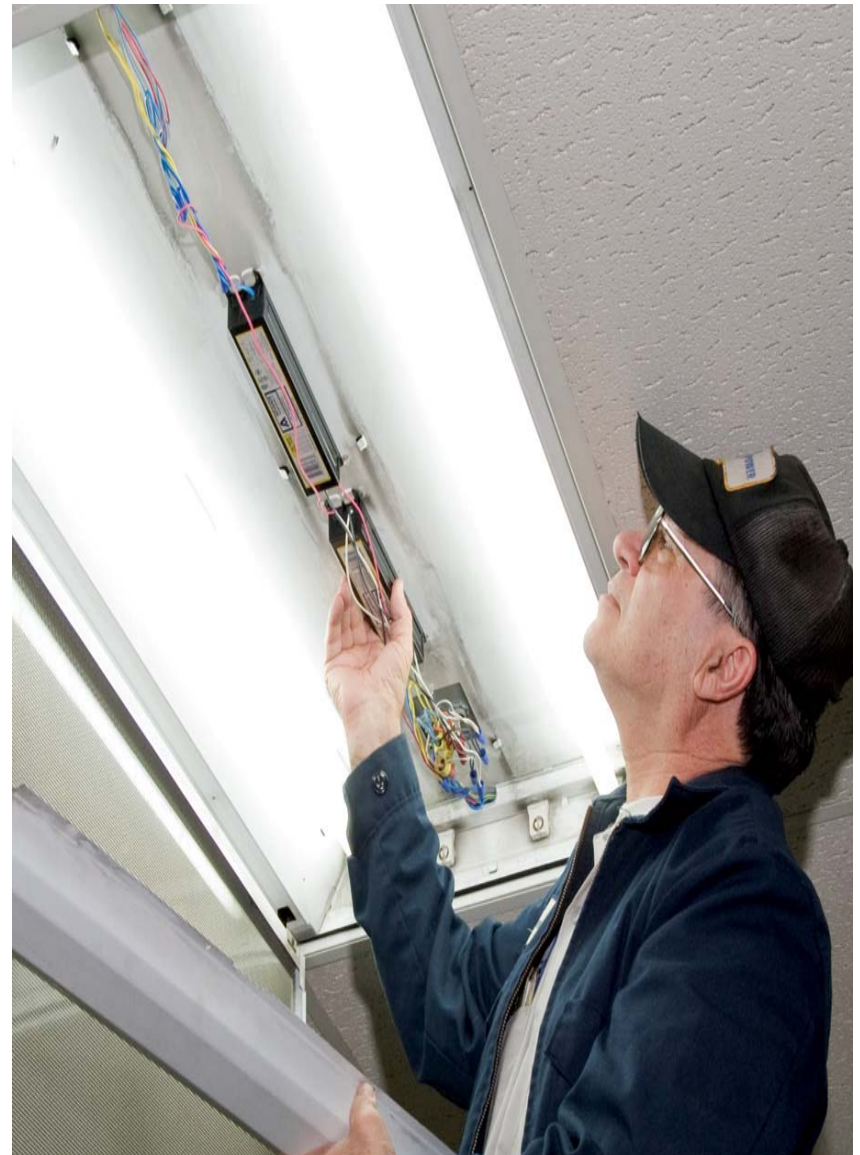
# Next Century Power

## Customer Opportunity Programs: Energy Efficiency

	FY 2011/12	FY 2012/13	FY 2013/14
<b>Budget</b>	<b>\$55 M (forecast)</b>	<b>\$127 M</b>	<b>\$138 M</b>
<b>Metric:</b> Savings from 2010 consumption	<b>0.5%</b>	<b>1.1%</b>	<b>1.3%</b>

### Key Investments Included in 2-Yr Rate Plan:

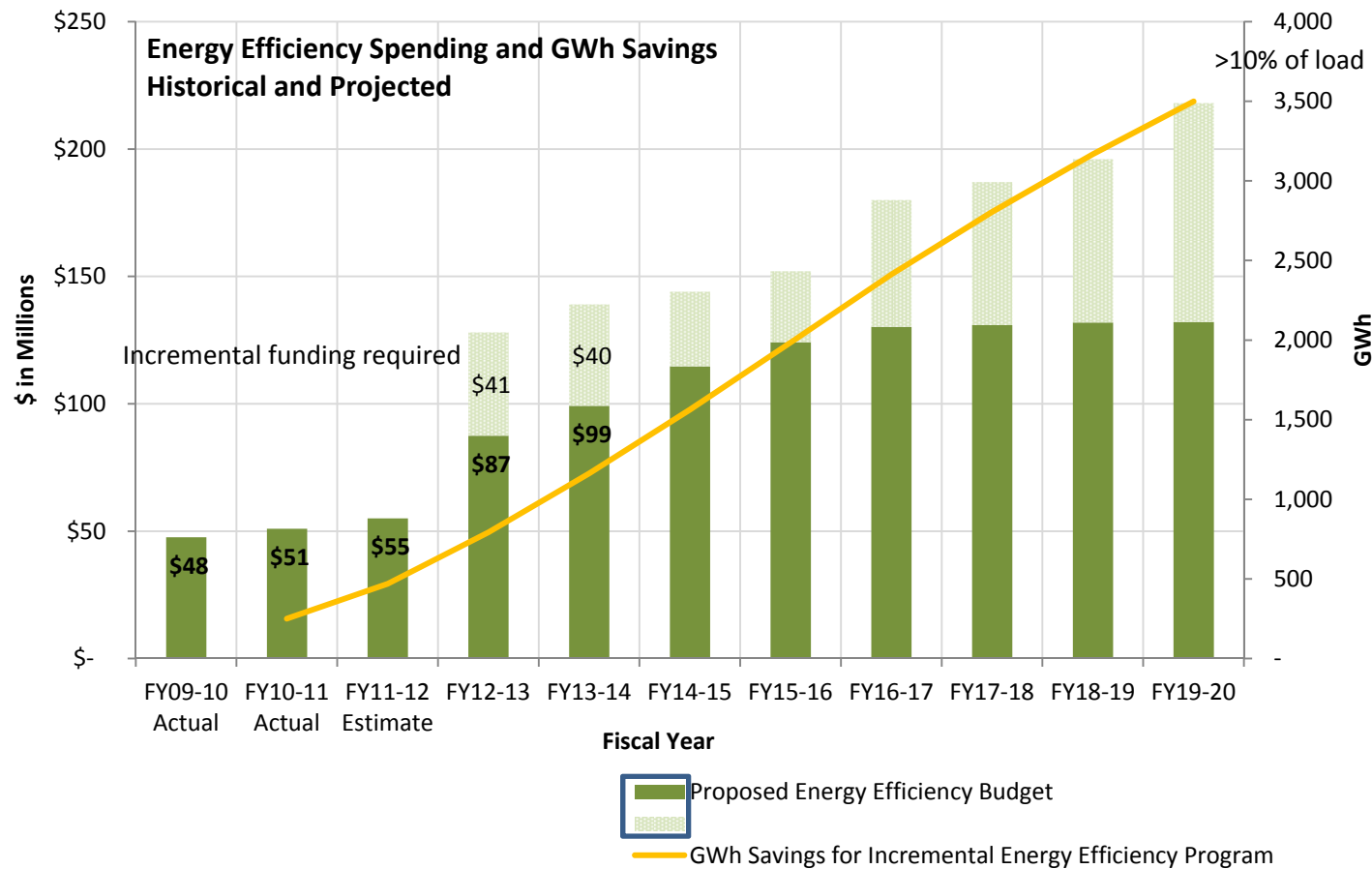
- Commercial Customer Lighting
- Major Systems & Building Upgrade Assistance
- Home Energy Conservation Programs
- New Small Biz and Residential Programs to Reduce Energy use during peak demand



# Next Century Power Customer Opportunity Programs

Significant additions to Energy Efficiency program funding puts LADWP on a path to exceed the 10% State legislative (Assembly Bill 2021) goal by 2020.

Detailed assessment will be performed in FY 12/13 to present specific plans ranging from 10% to 15% savings by 2020 for Board consideration.





# Next Century Power Customer Opportunity Programs

## Increasing Local Solar

Fosters local jobs & economy;  
Provides customers power supply options

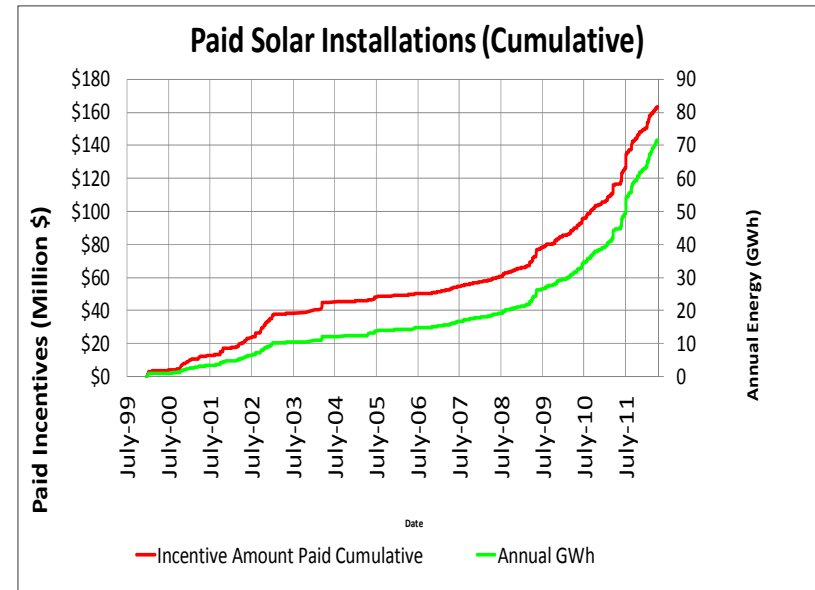
## Solar Incentive Program (SB 1)

Funds increased

## Feed-In Tariff (SB 32)

Launches this spring

Program	FY 2011/12	FY 2012/13	FY 2013/14
<b>Local Solar</b>			
Solar Incentive & Feed In Tariff	\$65 M	\$65 M	\$66 M



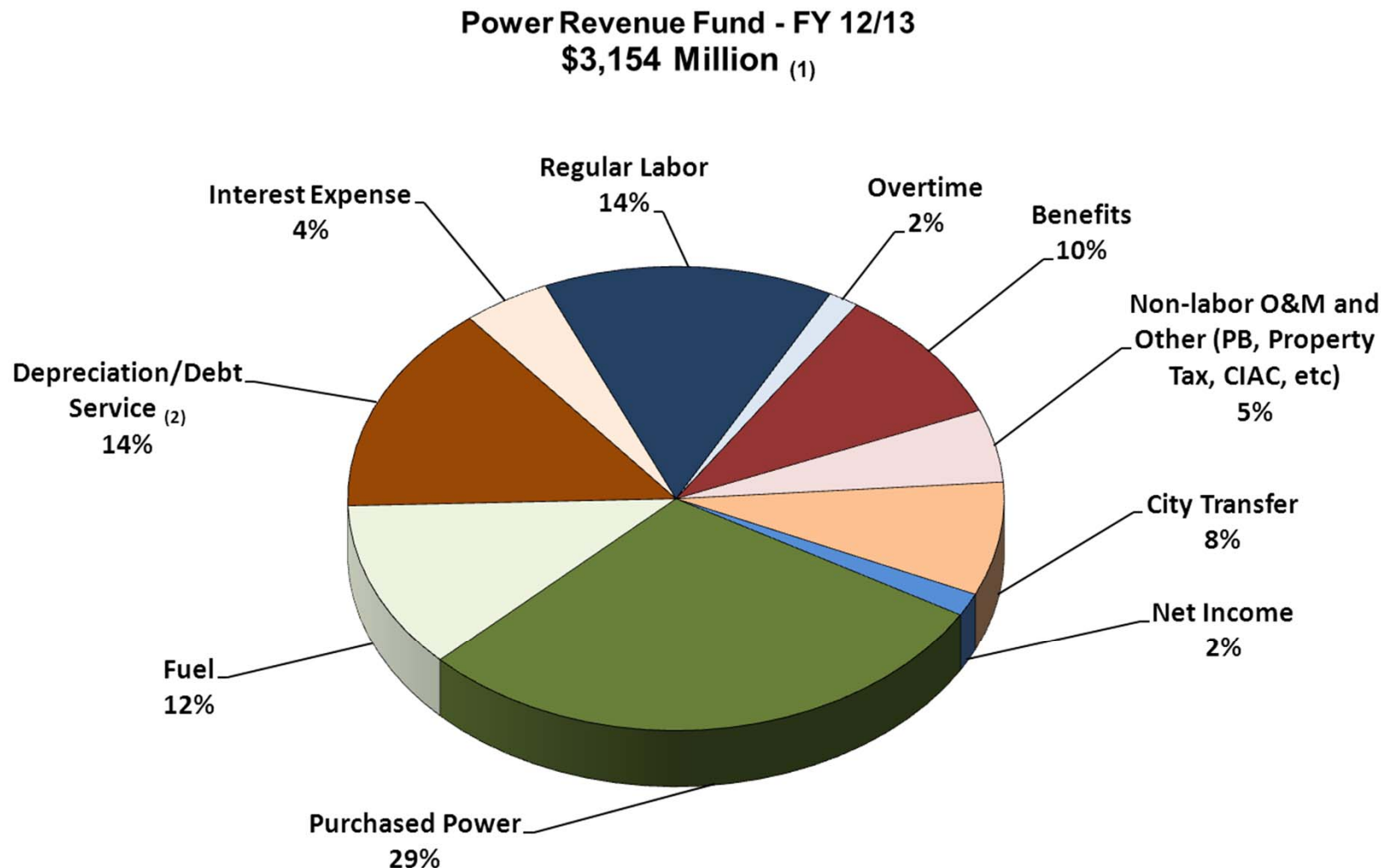


# Next Century Power

## Proposed Power Investments

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



(1) Includes Rate Stabilization, Deferred SPPA credit and various Accrual Adjustments.

(2) Approx. 33% of Depreciation is past Labor Costs

# Status of Power Rates



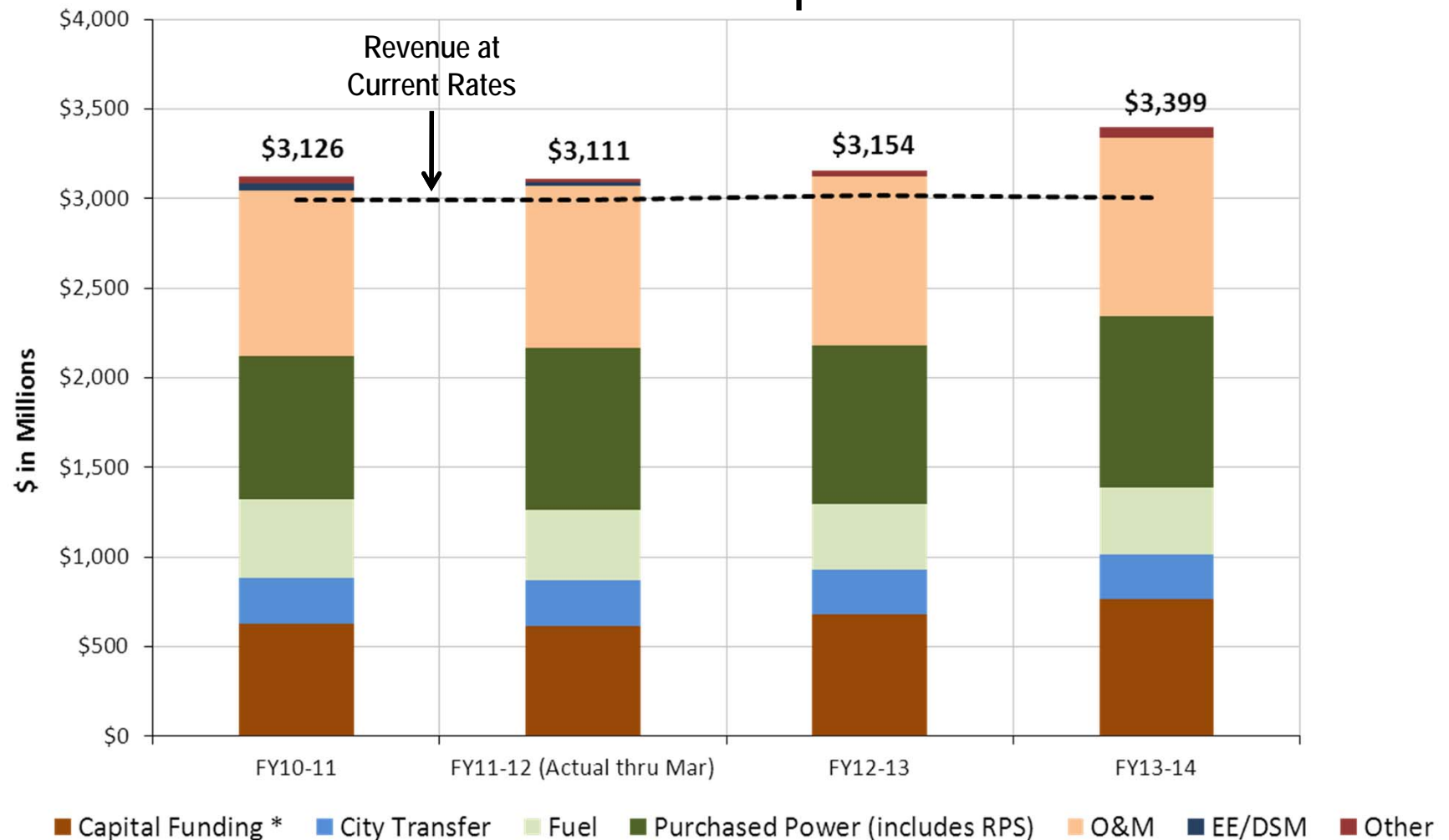
No base rate or Reliability Cost Adjustment increase since July 2009.

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

## Power Revenue Requirement



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

# Recommended 2-Year Power Rate Change with Customer Bill Impacts

Monthly Bill Impacts			Typical residential (500 kWh/Month)	High-use single-family residential (1,000 kWh/Month)	Small Commercial residential (1,000 kWh/Month)
	System Avg Rate	System Avg % Change*			
Current Total	12.7¢		\$65.79	\$134.07	\$136.40
Year 1 Power Rate Change (Effective July. 1, 2012)	0.6¢	4.8%	\$1.45 (2.2%)	\$8.35 (6.2%)	\$6.20 (4.5%)
Year 2 Power Rate Change (Effective July 1, 2013)	0.8¢	6.0%	\$2.10 (3.1%)	\$10.25 (7.2%)	\$8.50 (6.0%)
Total Two Year-Change	1.4¢	10.8%	\$3.55 (5.4%)	\$18.60 (13.9%)	\$14.70(10.8%)

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

# 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)
<b>Current Rate (¢/kWh)*</b>	12.39¢	12.31¢	10.80¢
<b>Year 1 Power Rate Change</b> (Effective July. 1, 2012)	0.64¢ (5.2%)	0.60¢ (4.9%)	0.52¢ (4.8%)
<b>Year 2 Power Rate Change</b> (Effective July 1, 2013)	0.84¢ (6.4%)	0.78¢ (6.0%)	0.67¢ (5.9%)
<b>Total 2-Yr Change</b>	1.48¢ (12.0%)	1.38¢ (11.2%)	1.19¢ (11.0%)

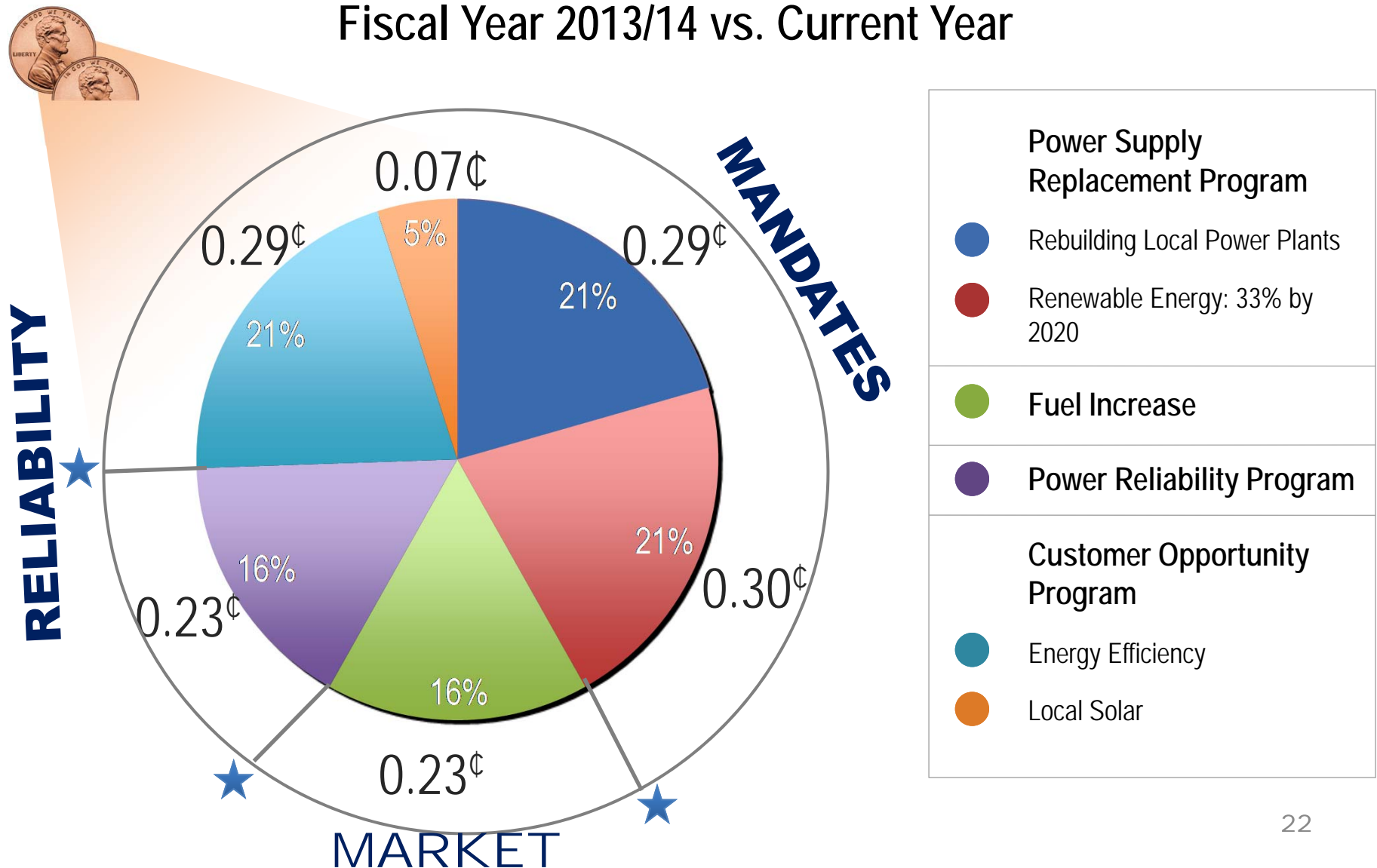
\* Total bill excluding tax

### 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%

# Drivers of 1.4 cent increase per KWh in System Average Power Rate

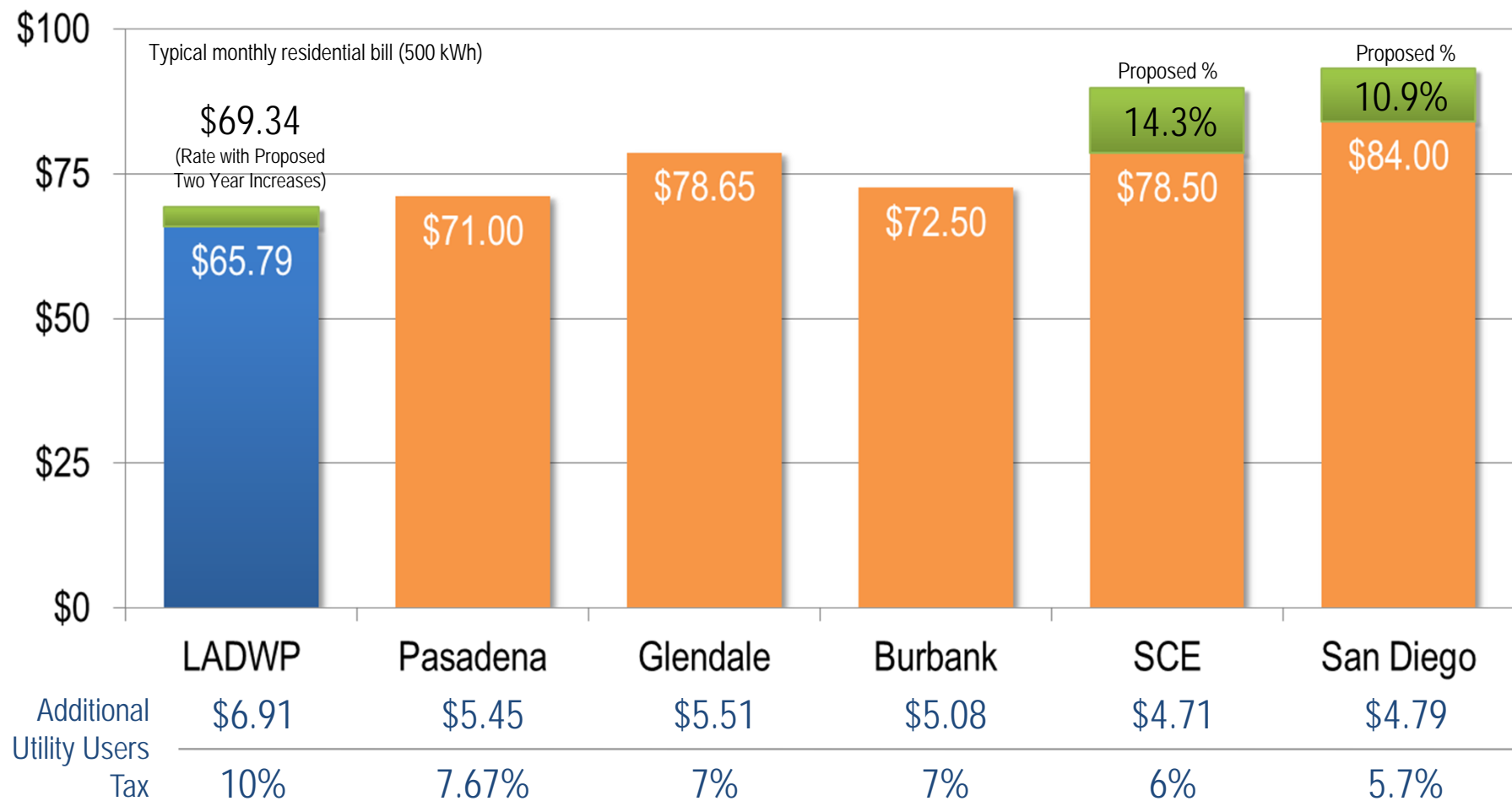
Fiscal Year 2013/14 vs. Current Year





# LADWP's Power Rates Remain Competitive - Residential

## LADWP Average Residential Customers Annualized Monthly Power Bill Comparing with Neighboring Cities (without Utility User Tax) As of November 2011



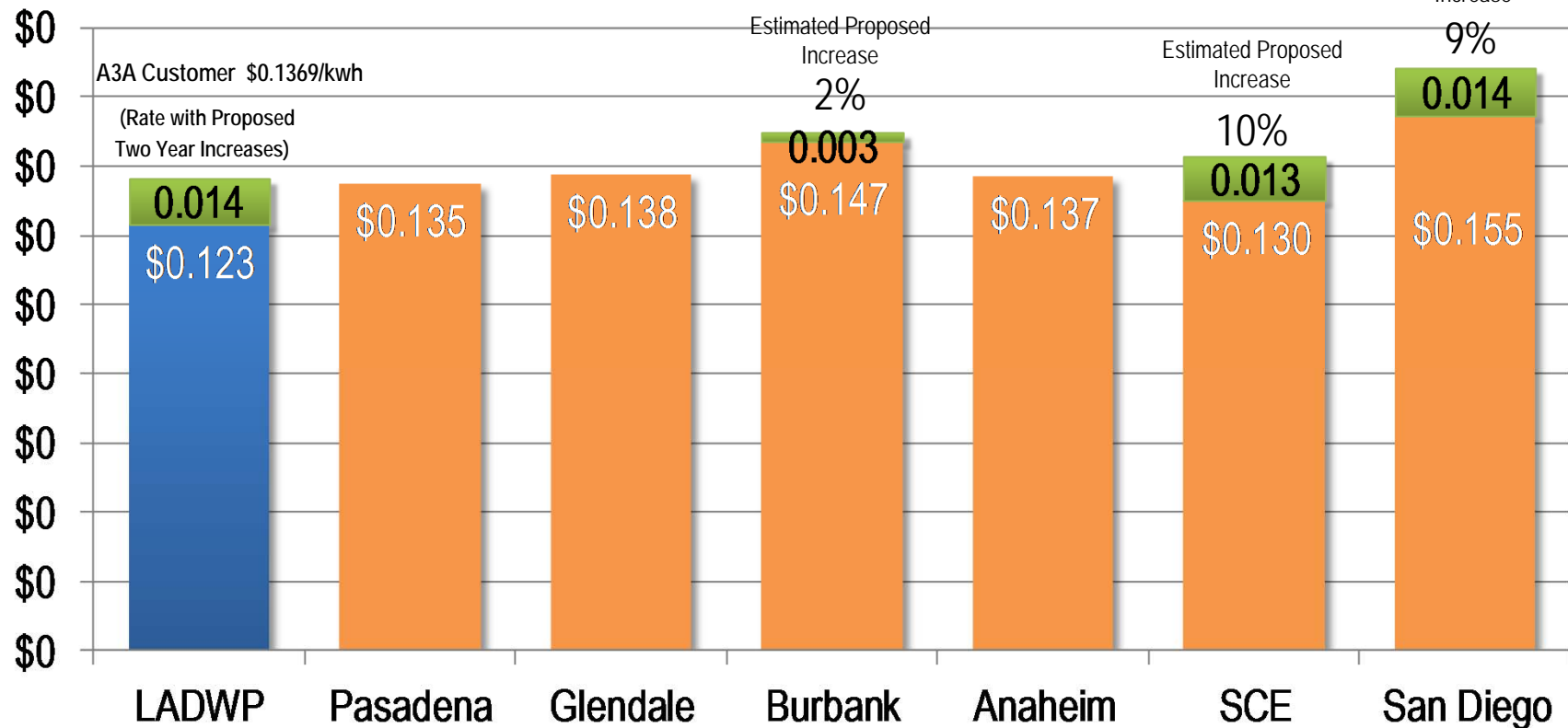
# LADWP's Power Rates Remain Competitive - Commercial

## LADWP Commercial Customers-Rates per KWh

### Compared to Neighboring Cities (without Utility User Tax)

As of February 2012

Estimated Proposed Increase



Additional Utility Users Tax

12.5%

7.67%

7%

7%

0%

6%

5.7%

# Next Century Water



## Local Water Supply Program

- Recycled Water
- Stormwater Capture
- Customer Conservation Programs
- Groundwater Cleanup & Management



## Safe Drinking Water Program

- Regulatory Compliance
- Reservoir Covers & Bypasses
- Trunkline Replacement



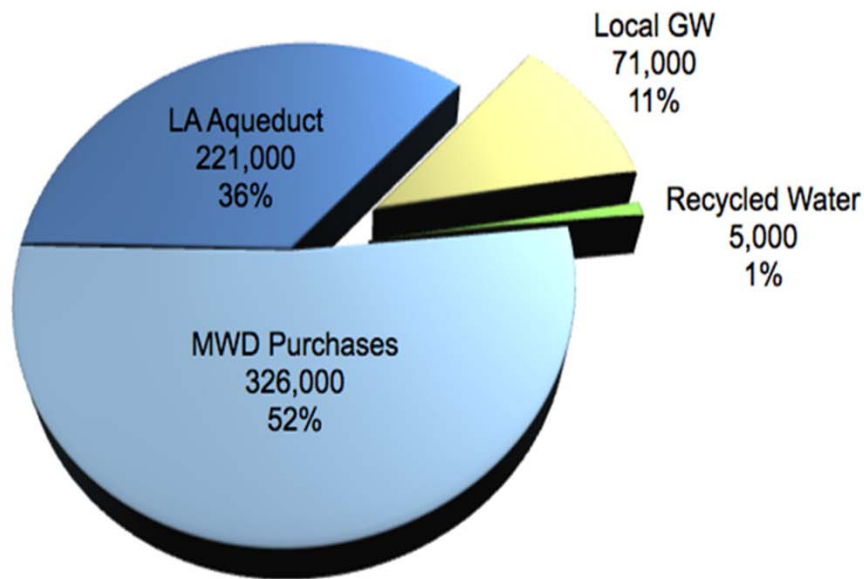
## Water System Reliability Program

- Replace aging pipeline and related infrastructure, including regulator stations, pumping stations, and maintaining the LA Aqueduct

# Over the next quarter century, we plan to transform our water supply sources

**FY 2006 – 2010**

Average Total: 622,000 AFY\*

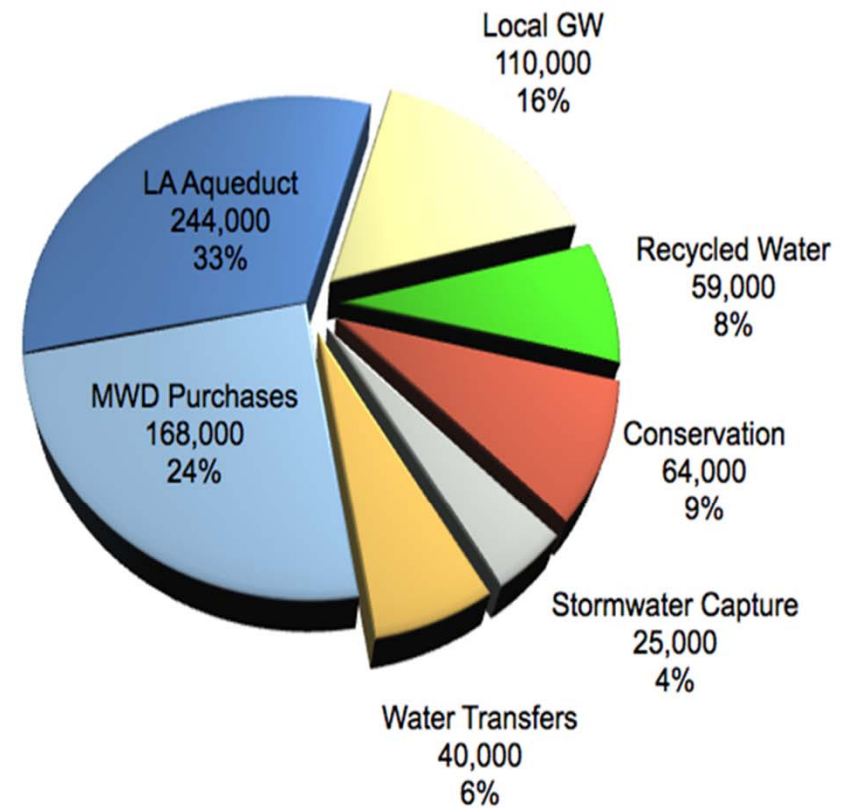


\* Excludes 100,000 AFY of water conservation

**FY 2034 – 2035**

Projected Total: 647,000 AFY\*

(plus 64,000 AFY new conservation = 711,000)

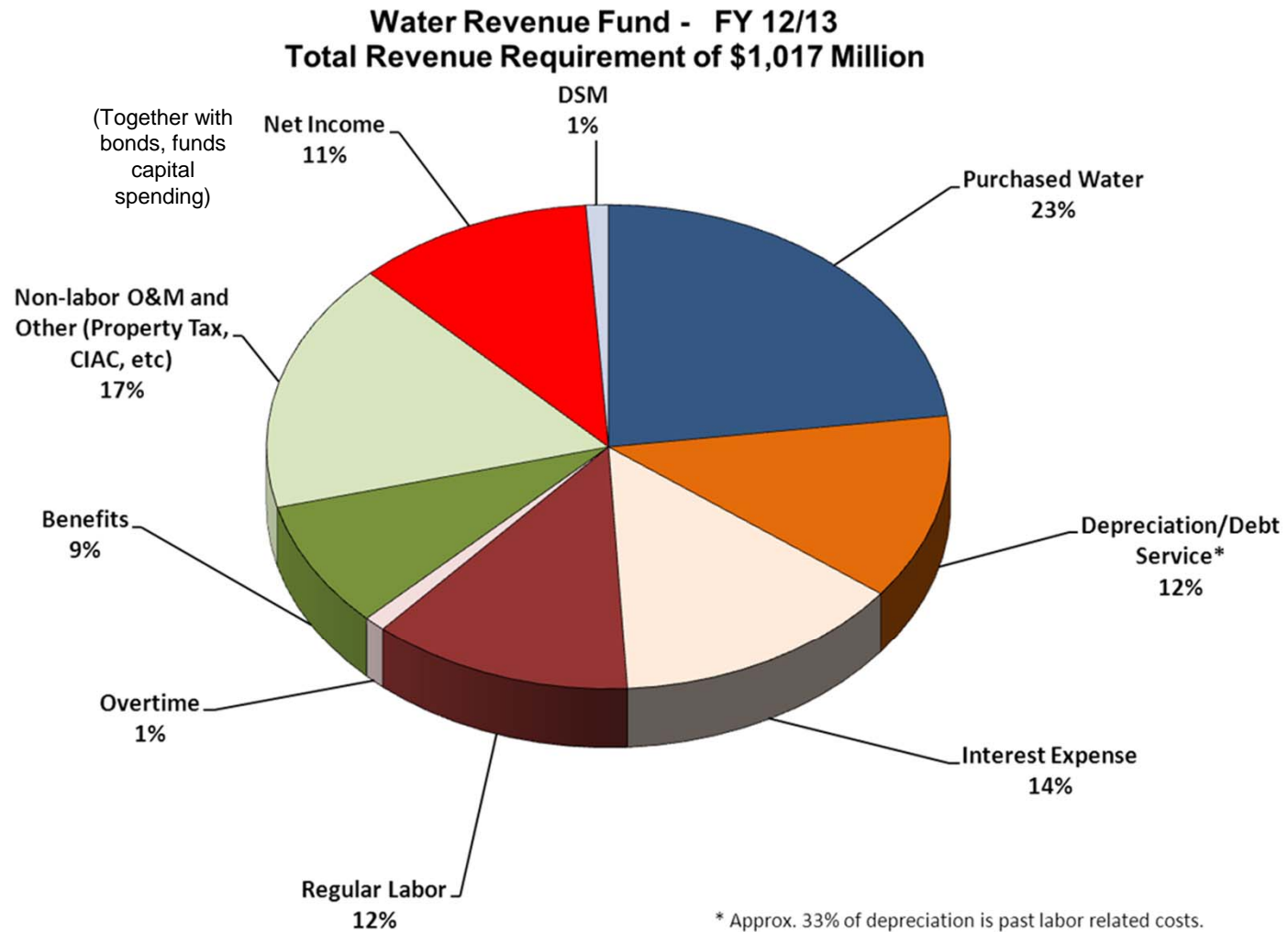


# Next Century Water

## Proposed Water Investments

Program	FY 2011/12	FY 2012/13	FY 2013/14
Local Water Supply Program	\$71 M	\$137 M	\$165 M
Safe Drinking Water Program	\$188 M	\$214 M	\$316 M
Water System Reliability Program	\$275 M	\$300 M	\$345 M
Total	\$534 M	\$651 M	\$826 M

# Allocation of Water Costs FY 2012/13



# Recommended 2-Year Water Rate Change

Change Excludes Purchased Water

Current Total Bill		System Wide Rate Change*
Year 1	Water Rate Change (July 2012 – June 2013) vs. Q4 2012	-0.44%
Year 2	Water Rate Change (Effective July 1, 2013)	5.23%
Total 2-yr Change		4.79%

Notes:

\* System Average Rate. Percentage rate changes may vary based on actual consumption and customer type.

\* Excludes rate impact of changes in purchased water.



# Recommended 2-Year Water Rate Change with Customer Bill Impacts

Average Bill Comparison  
Change Excludes Purchased Water

		System Wide Rate Change*	Typical residential All Tier 1 (12 HCF/Month)	High-use single-family residential (24 HCF/Month)	Commercial Schedule C (100 HCF/Month)
	<b>Current Total Bill</b>		<b>\$42.77</b>	<b>\$94.60</b>	<b>\$390.59</b>
Year 1	Water Rate Change (July 2012 – June 2013) vs. Q4 2012	(0.44%)	\$0.04	(\$0.64)**	(\$1.69)**
Year 2	Water Rate Change (Effective July 1, 2013)	5.23%	\$2.02	\$5.30	\$20.33
			\$2.06	\$4.66	\$18.64
	<b>Total Change</b>	<b>4.79%</b>	<b>4.8%</b>	<b>4.9%</b>	<b>4.8%</b>

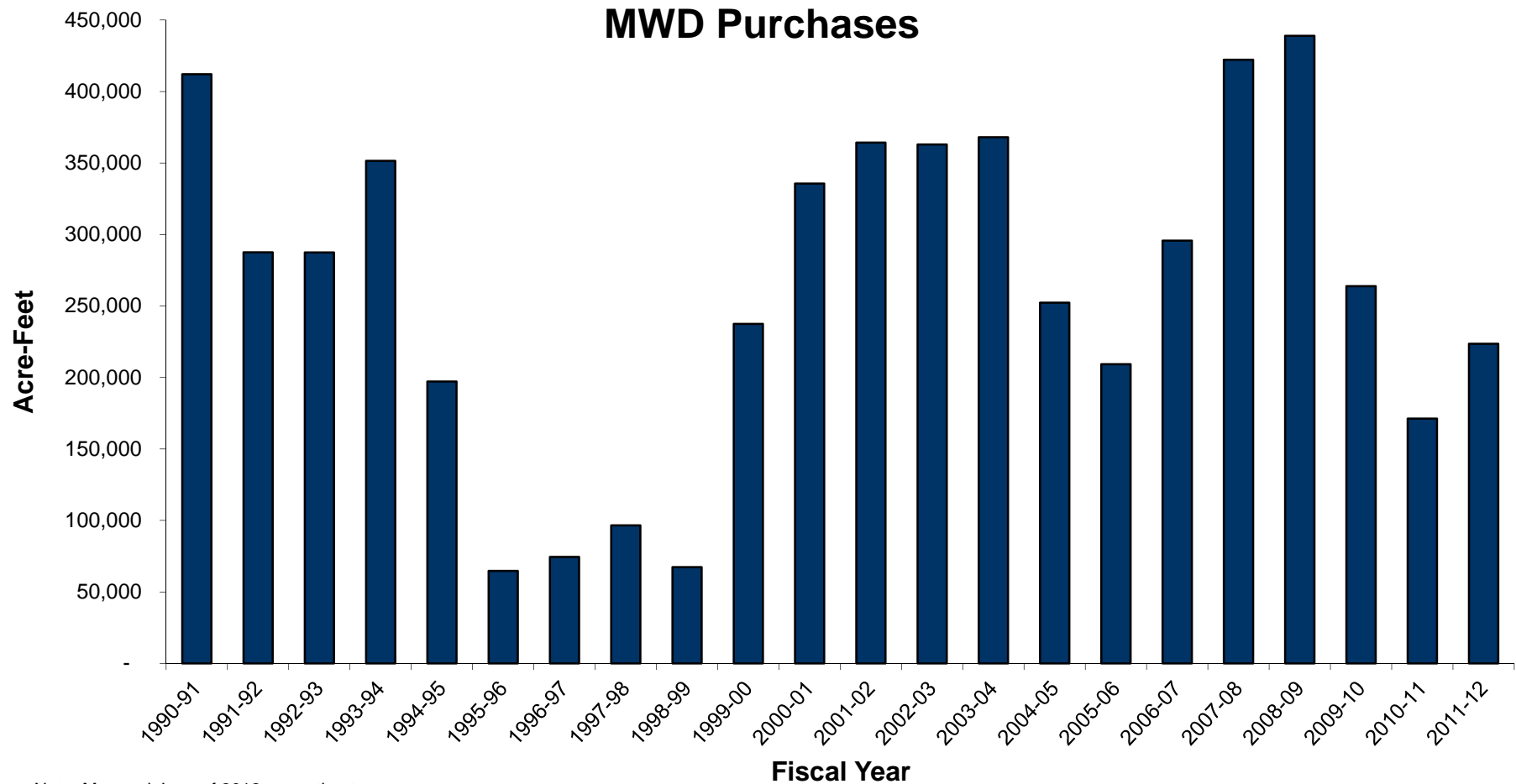
Notes:

\* System Average Rate. Percentage rate changes may vary slightly based on actual consumption and customer type.

\* Excludes rate impact of changes in purchased water.

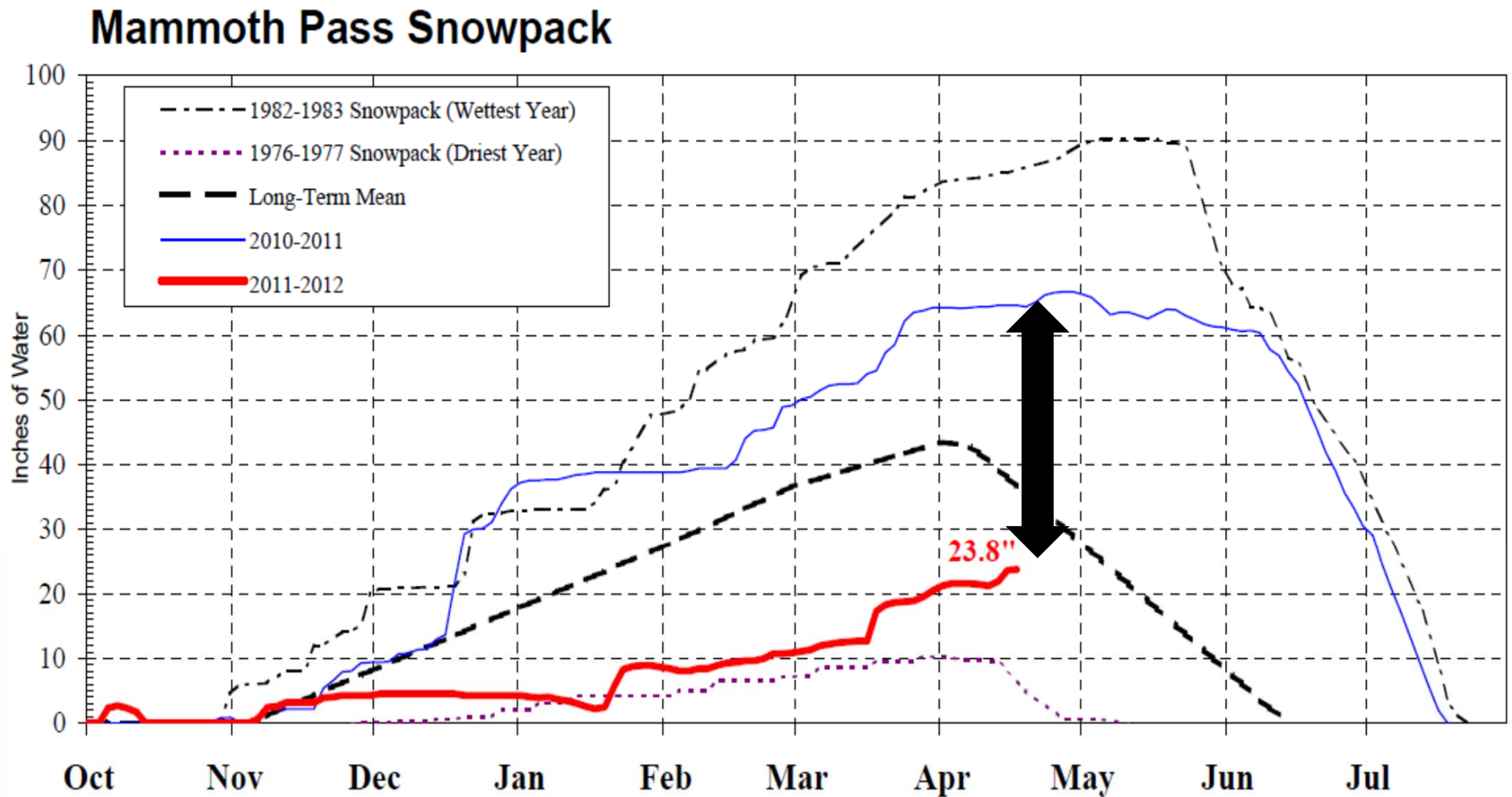
\*\* Current rates embed purchased water, water quality, and DSM/Reclaimed factors in Tier 2; however, they are a “pass-through” in Tier 1. The rate restructure that occurs in Year 2 will have all “pass-throughs” added to both Tier 1 and Tier 2 to ensure that proper price signals are given.

# LA's Dependence on Imported Water Varies From Year to Year, but has Increased Over Time



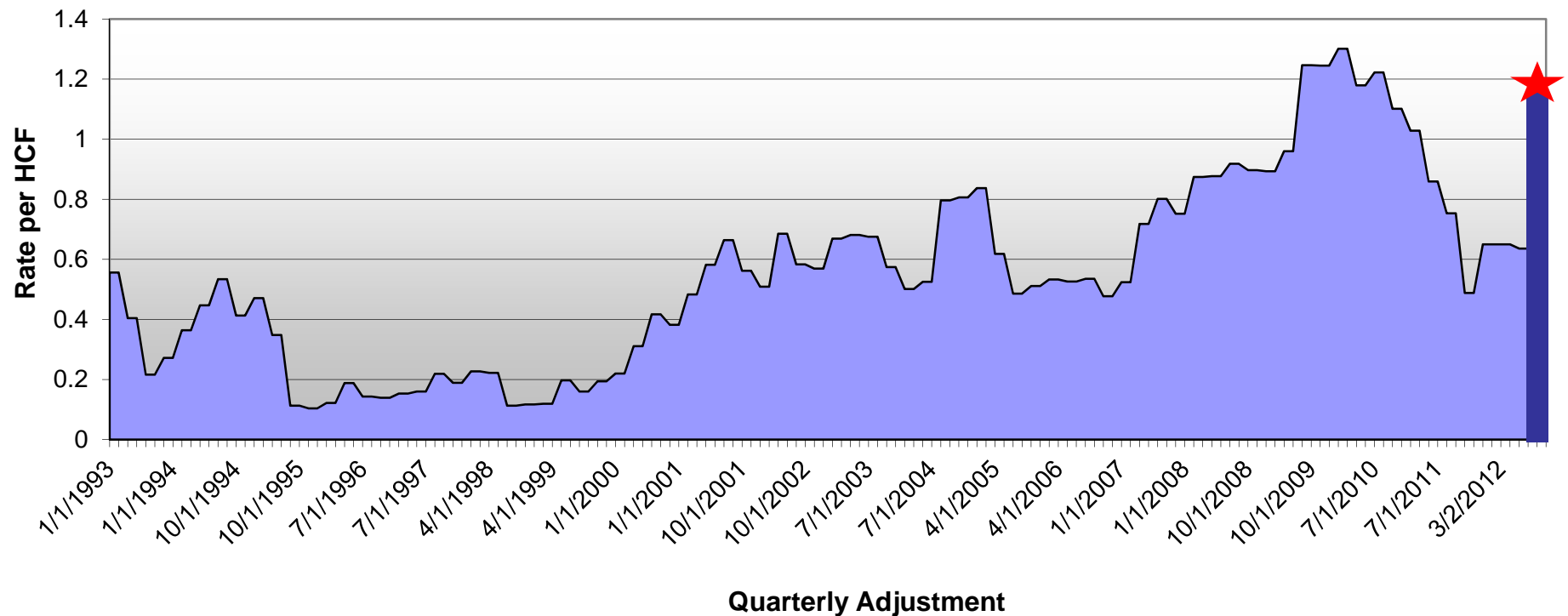
Current "Normal" Year Cost of Purchased Water: \$191 M 31

# Current Situation: Drastic Change in Dry Year following Near Record Wet Year



# Additional Adjustment Is Required For Purchased Water

**Purchased Water Rate Factor**



Next year, we must spend \$233 million on purchased water. 33

# FY 2012-13 Purchased Water Increase with Customer Bill Impacts

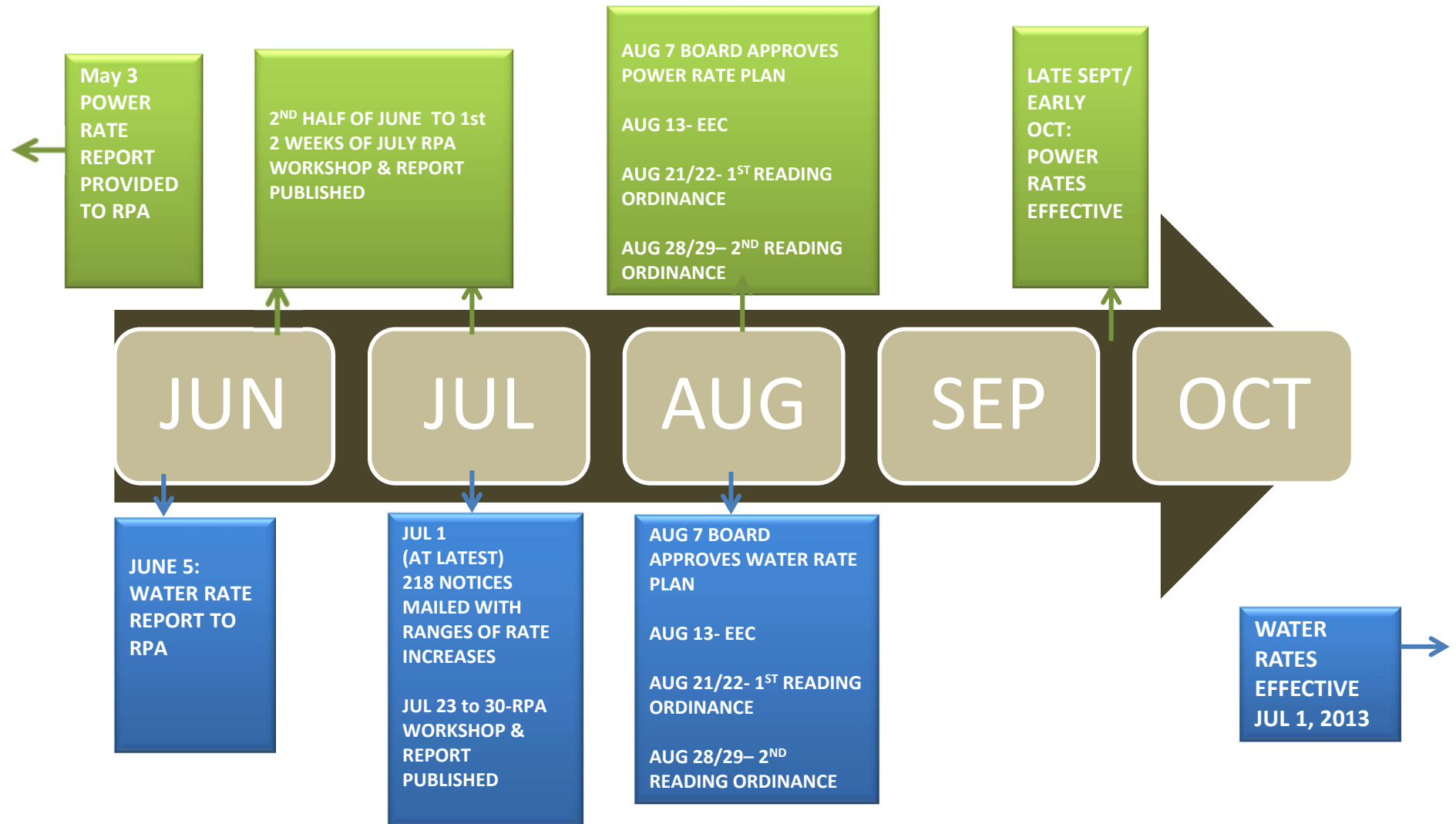
## Average Bill Comparison

	Required \$/HCF Increase	Typical residential All Tier 1 (12 HCF/Month)	High-use single-family residential (24 HCF/Month)	Commercial Schedule C (100 HCF/Month)
<b>Current Total Bill</b>		<b>\$42.77</b>	<b>\$94.60</b>	<b>\$390.59</b>
<b>Change to Bill in FY 2012-13</b>	<b>+ \$0.54/HCF</b>	<b>+ \$6.48</b>	<b>+ \$12.96</b>	<b>+ \$54.00</b>

Notes: Rate changes may vary slightly based on actual consumption and customer type.

# LADWP Rate Review/Approval Timeline

## POWER SYSTEM RATE TIMELINE



## WATER SYSTEM RATE TIMELINE

# In Conclusion, Proposed Rate Changes



Comply with Regulatory Mandates



Replace Aging Infrastructure



Provide Conservation Opportunities for  
Power & Water to reduce bills

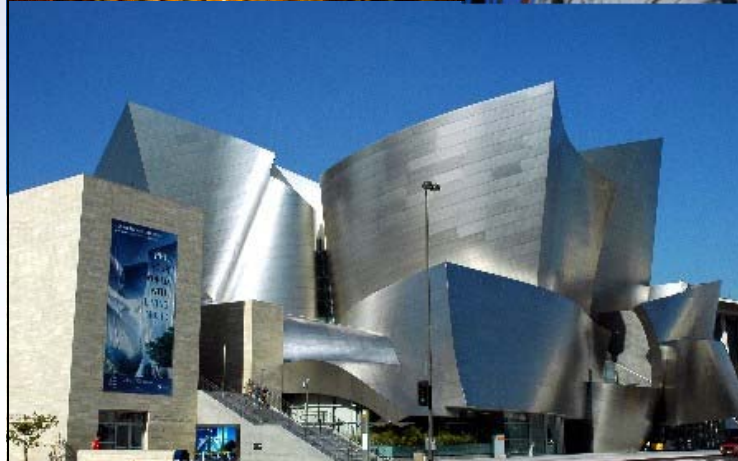
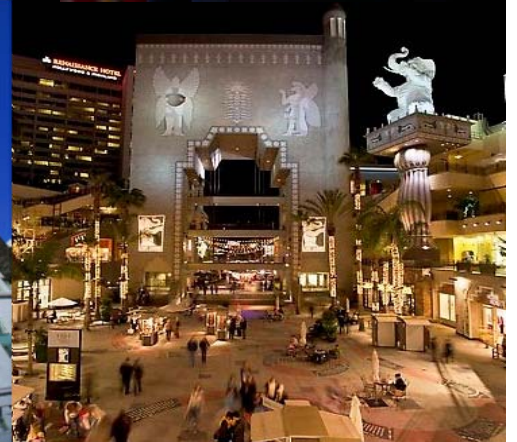




# ***City of Los Angeles***

## ***Office of Public Accountability / Ratepayer Advocate***

***June 2012***





## ***Status of Office of Public Accountability /Ratepayer Advocate 6/6/12***

- ❑ The voters of the City of Los Angeles created the Office of Public Accountability/ Ratepayer Advocate in March 2011, with a 78% vote in favor of Charter Amendment I.
  - “Office of Public Accountability (OPA) shall provide public independent analysis of department actions as they relate to water and electricity rates.”
  - The OPA/ Ratepayer Advocate is a separate Office of the City of Los Angeles, and independent of the Department of Water & Power (DWP).
  - Role: Unlike other Ratepayer Advocates – not a litigated “court-like” rate review
    - ✓ Process: DWP management > RPA > DWP Board > City Council (E&E) > Mayor
    - ✓ What it is not: not a trial, not an audit, not an inspector general. Necessarily high level
    - ✓ Seven areas: revenue requirements, rate structure, annual budget, project / program need, integrated resource / long-term plan, complaint review, and special issues.
- ❑ Rate review process
  - The DWP has already provided extensive background information to the OPA on the DWP’s proposed water and power budgets, financial plans, and rate proposals.
    - ✓ Background information provided starting in March and April.
    - ✓ Detailed proposal release about 1 month ago. Draft ordinance on June 1.
  - The OPA expects to review the power rate proposal by end of June. This will be supported by PA Consulting Group.
  - The OPA anticipates conducting a series of workshops on the preliminary results of its review, written report to follow. The OPA will report on the final results of its review to the DWP Board, Mayor, City Council, Neighborhood Councils and public.

