



Putting Customers First



Water & Power Rates Request 2016-2020 Frequently Asked Questions

Why does LADWP need a rate adjustment?

The Los Angeles Department of Water and Power (LADWP) is requesting a five-year rate change that seeks small water and power rate increases each year based on the following priorities and key principles:

- **Replace Aging Water and Power Infrastructure:** Over a century of delivering Water and Power requires major and sustained investment in replacing aging infrastructure to ensure reliability.
- **Transform Water and Power Supplies:** LADWP water rates must support greater water conservation and expand our local water supply to reduce reliance on more expensive, purchased water. Legal mandates require a complete transformation of our power supply.
- **Improve Customer Service:** LADWP is working to provide high quality and responsive service, increase timeliness of bills, enhance self-service options, and improve our customers' experience overall. LADWP will also continue to provide programs that help our customers to manage their water and power use, and save on their bills.
- **Keep Rates Competitive:** LADWP will make these needed investments while ensuring that our rates remain competitive with nearby water and power utilities and affordable for our customers.

How will the proposed rate changes affect my bill?

About 50% of all residential customers will see an average increase of about 3% for water and power on their bill each year for five years, or \$4.20 more per month—about the same as the rate of inflation.

Low-use customers will have a combined water and power bill increase of 2.4%, or about \$1.91 per month. High-use customers (the top 10%) will pay about 5.3% more, or \$16.31 per month.

When will the new rates go into effect?

The Board reviewed and approved the water rate ordinance December 15, 2015 and the power rate ordinance on January 19, 2016. LADWP expects to bring both water and power rate ordinances to the City Council in early 2016. If approved by the Council and signed by the Mayor, the rates would go into effect April 1, 2016.

Has the rate request changed since it was first proposed in July 2015?

Yes, LADWP has incorporated input from the Office of Public Accountability/Ratepayer Advocate (OPA/RPA) and stakeholders as well as adjusted for declining fuel prices and other changes in the energy market. As a result, the proposed power rates were reduced by 0.9 percent per year and the total power revenue need was reduced to \$720 million over the five-year period. In addition, LADWP has built in accountability measures and check-in periods to demonstrate progress toward performance goals for both water and power rate proposals.

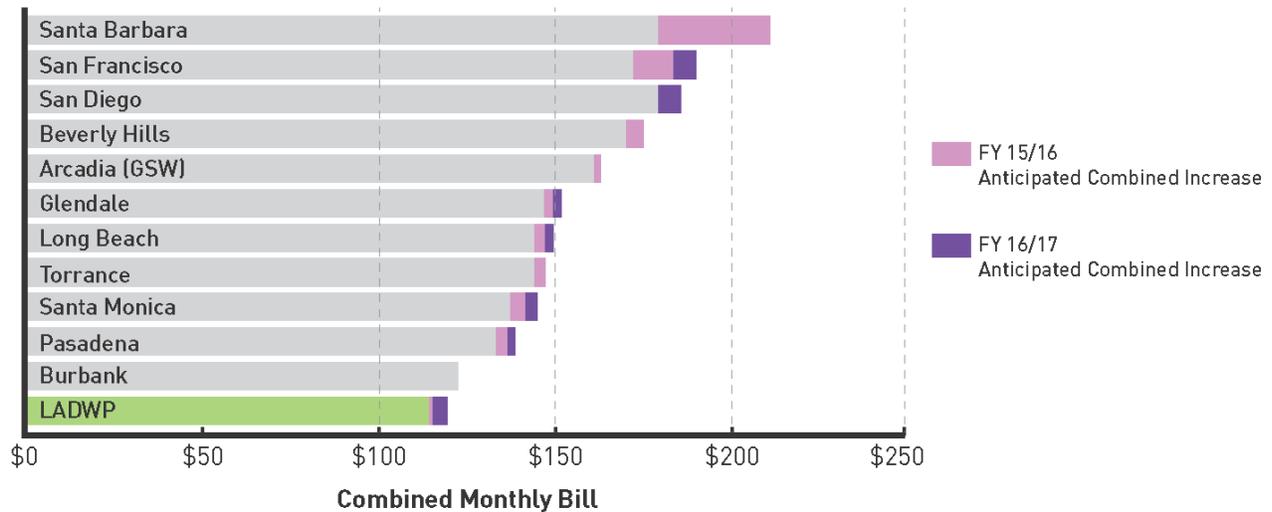
What is LADWP doing to keep rates low and save costs?

LADWP has saved \$467 million over three years, exceeding cost reduction goal that was set as a condition of the prior rate increase in 2012. Savings were achieved through reduced labor costs, refinancing, and other spending cuts. Under the current labor agreement with the largest LADWP employee bargaining unit, LADWP is saving an additional \$456 million over three years (fiscal years 2013-14 through 2015-16), which adds up to \$5 billion over 30 years. LADWP will continue to find cost savings through process improvements, benchmarking, and other measures.

How do LADWP rates compare with those of other water and power utilities serving nearby areas?

LADWP's rates have been historically low and competitive with neighboring water and power utilities. The Board of Water and Power Commissioners has required that LADWP's rates remain competitive with nearby water and electric utilities and affordable for our customers. The graph below shows how much more customers in other cities have paid for water and power over the past three years.

How L.A. Water and Power Bills Compare Before and After Rate Changes



How much in new revenues are needed and how will they be spent?

The rate proposal recommends about \$720 million in new power revenues and \$330 million in new water revenues over five years. For power, about 80% of the revenues are needed to transition to a clean energy future and meet state mandates for reducing greenhouse gas emissions, expanding renewable energy, and rebuilding coastal power plants to eliminate ocean water cooling. For water, the vast majority of new revenues – about 78% – will support infrastructure repair and replacement for reliability and to meet water quality regulations. New revenues are also needed to expand the local water supply and protect against a prolonged drought.

How much will be spent on labor?

A minimal amount of revenues for the 5-year water and power funds are to be allocated for labor costs – about 6% and 7.5% of the water and power revenues respectively.

Will the new water rates encourage conservation?

LADWP's water rate design uses tiered pricing tied to a customer's water consumption. Given the current drought conditions, the rates proposal recommends increasing the number of tiers from 2 to 4 for single-family residential customers. The goal is to further incentivize conservation, while ensuring lower rates for customers who use the least amount of water.

What is LADWP doing to improve customer service and rectify the billing problems reported in the media?

LADWP is very much aware of the problems being experienced by our customers related to their bills and other services. Customer Service is our top priority throughout the organization. We have resolved the system errors that resulted from the new Customer Care and Billing system implementation. We have reduced call hold times from over 30 minutes to less than 5 minutes. We have implemented a variety of online self-service options, redoubled efforts to improve bill accuracy, reduced estimated bills to less than 5%.

Where can I get more information?

Please visit www.myLADWP.com to learn more about the 2016-2020 Rates Request. Through the website you may also check for upcoming community briefings and webcasts, take a customer survey, and contact us with comments and questions.

Follow us on:    www.myLADWP.com