



## 2016-2020 Water & Power Rate Changes

# FREQUENTLY ASKED QUESTIONS

### When do the new water and power rates go into effect?

The water and power rate ordinances were approved on March 15, 2016 and went into effect April 15, 2016. Additional rate adjustments will be effective on July 1, 2016; July 1, 2017; July 1, 2018; and July 1, 2019.

### What is the water and electric rate change for residential customers?

The changes to a residential customer's bill will vary depending on how much water and energy is used. A typical customer, using 12 hundred-cubic-feet (HCF) of water and 500 kilowatt-hours (kWh) of electricity each month, will see a combined annual average increase of 3% or about \$4.20 per month. For all customer sectors, including residential, commercial and industrial customers, the average annual rate adjustments are 3.86% for electricity and 5.26% for water from 2016 through 2020. Additionally, during the first two billing cycles of the rate change, water rates will be slightly higher than average because of the higher cost of purchased water based on 2015's extremely low snowpack. The higher rates reflect the fact that LADWP has had to purchase significantly more, higher priced water from the Metropolitan Water District during fiscal year 2015-16 due to the drought. The water cost is expected to be adjusted again on July 1, 2016 to reflect somewhat lower costs of purchased water based on this year's moderately improved snow levels. This will be reflected on customers' bills beginning July 1.

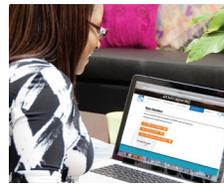


### Why did LADWP need to increase water and power rates?

The new rates will provide needed investments to accelerate the replacement of aging water and power infrastructure, protect against drought conditions, transform water and energy supplies while meeting mandates, and improve customer service. Even after these rate changes are implemented, LADWP's water and power rates will remain lower than those of most nearby utilities.



### What are the new rates for customers using more or less than the typical amount?



Since LADWP rates are charged based on tiers, with higher water and electric use charged at progressively higher rates, the actual rate changes may be lower or higher depending on how much a customer uses, along with other cost

adjustment factors that vary. Customers can use the rate calculators found on [www.MyLADWP.com](http://www.MyLADWP.com) to input their actual use to determine what their charges will be in the current billing period or use hypothetical usage amounts to estimate future charges based upon the most current rate projections by LADWP. The rates schedules for all customers are also available on [www.MyLADWP.com](http://www.MyLADWP.com) under "Learn More."

### What can customers do to manage and reduce their water and electric bills?



LADWP rates are charged according to how much customers use, so the less water and electricity used, the greater the savings.

LADWP has a wide variety of rebates and programs to help reduce customers' water and energy use. Visit [www.MyLADWP.com](http://www.MyLADWP.com) or [www.ladwp.com/rebatesandprograms](http://www.ladwp.com/rebatesandprograms) to learn about LADWP's energy efficiency and water conservation programs that can help you save on your electric and water bill.

### Why did LADWP expand the water rate tiers and how do they work?

LADWP's water rates use tiered prices that are charged based on a customer's water consumption. The new water rate structure expands the rate tiers from two to four for single-family residential customers. The expanded tiers reflect the higher cost of supplying water to customers who use higher amounts. The tiered rates allow LADWP to recover the costs of providing water to high users while also having the effect of encouraging customers to conserve.

## How much water is allotted for each tier and where is that information available?

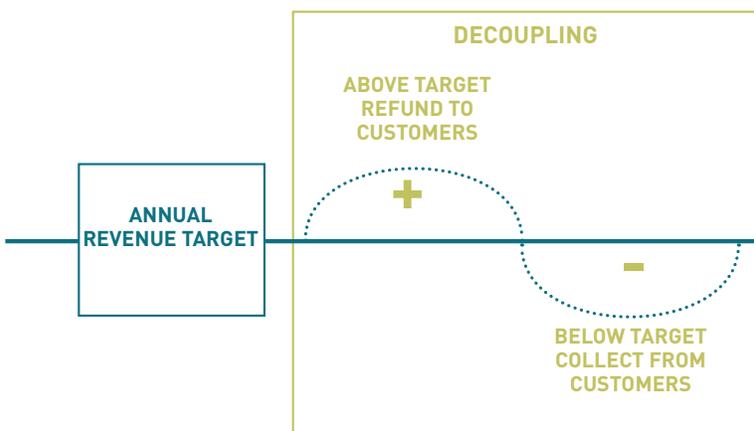
The new Tier 1 allows using up to 8 HCF per month (16 HCF for a bi-monthly bill) and represents the amount of water for basic indoor use, such as drinking, washing, and cooking. Tiers 2-4 reflect the higher cost of providing water to customers using more water and varies according to the lot size of a customer's house, the temperature zone where they live (low, medium and high), and season (summer and winter). There is no longer an increase in allotment based on household size. Tables showing the allotment for each tier per lot size and temperature zone are posted on [www.MyLADWP.com](http://www.MyLADWP.com) under "Learn More" or [www.ladwp.com/rates](http://www.ladwp.com/rates).

## Are there other new charges and what are they for?

LADWP's new water and power rate ordinances include several other changes and new adjustment factors designed to support conservation and infrastructure reliability.

**Power Access Charge (PAC):** The PAC is a new monthly fixed charge that will recover the basic infrastructure cost for providing access to the power grid. The charge is tied to a customer's electricity consumption, varies according to three usage tiers, and increases in price at each tier level. It also factors in the geographic temperature zone (cool or warm) where a customer lives. The PAC will be calculated initially based on April 15, 2015 through April 14, 2016, and then every October 1st based on highest monthly amount of electricity delivered to a customer the past year. Since the PAC is tied to consumption, customers can lower their charge each year by reducing their electric use.

**Base Rate Revenue Target (BRRT):** The BRRT uses a standard industry practice called decoupling to encourage conservation while covering LADWP's fixed costs of providing reliable water and electricity service. Revenues above the sales target will be returned to customers while revenues below the sales target are recovered through charges over the next calendar year.



**Infrastructure Adjustment:** This adjustment, different for water and power, recovers capital and debt service costs of infrastructure investments to maintain and improve reliability of water and power infrastructure. The power adjustment also recovers operating and maintenance costs needed to improve power reliability.

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

The new rates will provide about \$720 million in new power revenues and \$330 million in new water revenues between 2016 and 2020. New power revenues will support LADWP's 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 will support infrastructure repair and replacement for reliability and to meet water quality regulations. New water revenues are also needed to expand the local water supply and protect against prolonged drought.

## 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, and are as much as 10% to 20% lower than the major investor owned utilities in the state. Maintaining competitive rates was a key priority in developing the new water and power rates.

## What is LADWP doing to improve customer service?

Customer service is our top priority throughout the organization. We have reduced call hold times from over 30 minutes to under the 3 minute industry standard. We have implemented a variety of online self-service options, redoubled efforts to improve bill accuracy, and reduced estimated bills to less than 5%.



## What is LADWP doing to help offset rate increases for low-income customers?

All customers can manage their costs by using less water and electricity. Check our website to learn more about ways to save. For income-qualifying customers LADWP continues to offer discounted rates. Visit [www.ladwp.com/lowincome](http://www.ladwp.com/lowincome) to learn more about our payment assistance programs.

## Where can I get more information?

Please visit [www.myLADWP.com](http://www.myLADWP.com) to learn more about the 2016-2020 rates as well as ways to save on your water and electric bills.