



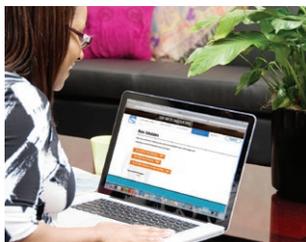
2016 - 2020 WATER & POWER RATE CHANGES

On March 15, 2016, LADWP received final approval for water and power rate adjustments from 2016 through 2020 to accelerate the replacement of aging water and power infrastructure, protect our water supply against drought conditions, transform energy supply to meet mandates, and improve customer service. The rates also further incentivize conservation while remaining competitive with nearby utilities. LADWP offers many incentives and rebates to help you manage your water and power use and save on your bill.

The first rate adjustment became effective on April 15, 2016. The second adjustment will take effect on July 1, 2016. Subsequent rate adjustments will take effect on July 1st of 2017, 2018, and 2019.



Changes to Your LADWP Bill



The water and power rate changes will provide a combined 3% average yearly increase, about \$4.20 per month, for residential customers using a typical amount of energy and water. For all customer sectors, including residential, commercial and industrial customers, the average annual rate adjustments are 3.86% for power and 5.26% for water over the rate adjustment period. Since LADWP rates use tiered prices based on customers' water and electric use, customers will see lower or higher cost changes depending on how much they use, along with other cost adjustment factors that vary. The rates schedules for all customers are available on www.MyLADWP.com under "Learn More."

Water Rate Changes



From 2016 through 2020, a typical residential customer (using an average of 12 HCF, or hundred cubic feet, per month) will see an average increase of just over \$3 on their monthly bill, or 4.76% per year. For customers using less water (8 HCF), their monthly cost will increase by \$1.07, or 2.6% per year. For high water users (27 HCF), monthly costs will go up \$11.05, or 7.2%, on average each year. For all LADWP customers, including residential, commercial, industrial and governmental customers, the water rate change represents an average annual increase of 5.26% over the rate adjustment period.

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 the somewhat lower cost of purchased water based on this year's moderately improved snow levels. This will be reflected on customers' bills beginning July 1.

Power Rate Changes

A typical residential customer (using 500 kilowatt-hours, or kWh, per month) will see an average increase of \$1.17 on their monthly bill, or 1.56% per year. For low electric use customers (250 kWh), their monthly costs will increase an average of \$0.84, or 2.2%, annually. Higher use customers (900 kWh) will see increases averaging \$5.26, or 3.4% on their monthly bill each year. For all LADWP customers, including residential, commercial, industrial and governmental customers, the electric rate change represents an average annual increase of 3.86% over the five years.



RATE DESIGN CHANGES

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

Water Tiers Expanded

LADWP's water rates use tiered prices that are charged based on a customer's water consumption and increase progressively with each tier. 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.

The new Tier 1 consists of 8 HCF of water per month (16 HCF for a bi-monthly bill) and represents the amount needed for essential indoor water needs, such as drinking, washing, and cooking. Tiers 2-4 reflect the higher cost of providing water to customers using more water for less essential needs, such as irrigating large landscapes. The prices set at these tiers vary 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. Following is a general description of water use at each tier.

Tier	Cost/HCF Effective 2016		Water Use Description
	April 15	July 1	
Tier 1 Basic Use (8 HCF) Monthly	\$5.55	\$4.61	Basic indoor water use. 
Tier 2 Efficient Use	\$6.77	\$6.32	Indoor water use and irrigation for California drought tolerant landscapes.  
Tier 3 High Use	\$7.52	\$7.20	Above average water use including irrigation for a typical lawn.   
Tier 4 Excessive Use	\$7.52	\$7.20	Usage is above and beyond those in the first three tiers.    

The water allotments for Tiers 2 through 4 vary by lot size, temperature zone (low, medium, and high) and season (summer or winter)

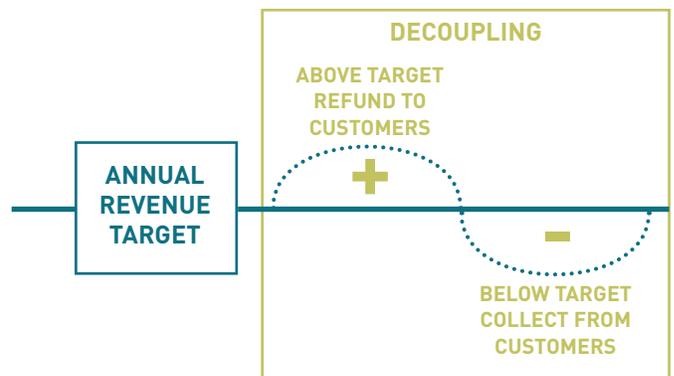
Power Access Charge (PAC)

The PAC is a new monthly fixed charge that will help to recover the basic infrastructure cost for providing access to the power grid. The PAC is tied to a customer's electricity use, varies according to three usage tiers, and increases in price at each tier level. It also factors in the geographic temperature zone (Zone 1, cool, or Zone 2, warm) where a customer lives. The PAC will be calculated initially based on the year from April 15, 2015-April 14, 2016, and then every October 1st based on the 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. The following table shows the electricity allotment and price for each tier and temperature zone.

Electric Rate Tiers per Temperature Zone

	Zone 1 Usage (kWh)	Zone 2 Usage (kWh)	Cost Effective 2016	
			April 15	July 1
Tier 1	First 350	First 500	\$0.55	\$0.85
Tier 2	Next 700 (351-1050)	Next 1000 (501-1500)	\$2.00	\$3.00
Tier 3	Over 1050	Over 1500	\$6.00	\$9.00

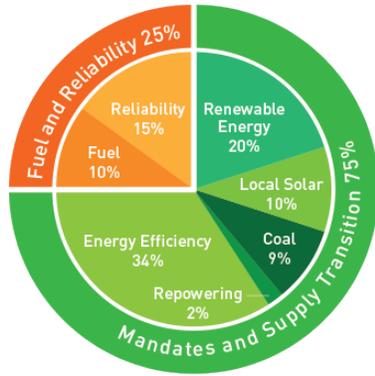
Base Rate Revenue Target (BRRT): The BRRT uses a standard industry practice called decoupling to encourage conservation while covering LADWP's fixed costs of providing reliable water and electricity service. Revenues above the sales target will be returned to customers while revenues below the sales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



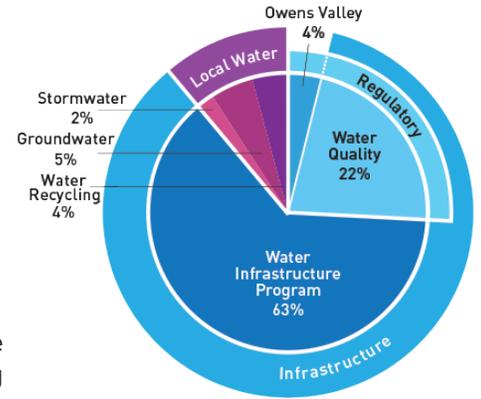
Water and Power Infrastructure Adjustments: The new rate ordinances include infrastructure adjustment factors to address critically aging and vulnerable water and electric infrastructure in the city of Los Angeles. These adjustments will address the cost of increasing the repair and replacement of water mains and trunk lines, power poles, circuits and other critical infrastructure.

WHY WE NEED RATE CHANGES

Power: Approximately \$720 million in new power revenues will support the transition to a clean energy future and meet state and local mandates and goals for expanding renewable energy and energy efficiency, while eliminating coal-powered generation to reduce greenhouse gas emissions. As part of the power transformation over the next 10 years, LADWP is also meeting regulatory mandates for repowering its coastal generating stations to remove them from ocean water cooling, and to modernize them to improve efficiency and ability to support renewable energy. New investments will also protect power reliability by replacing or upgrading aging power poles, circuits, cross-arms, and other critical electric infrastructure.

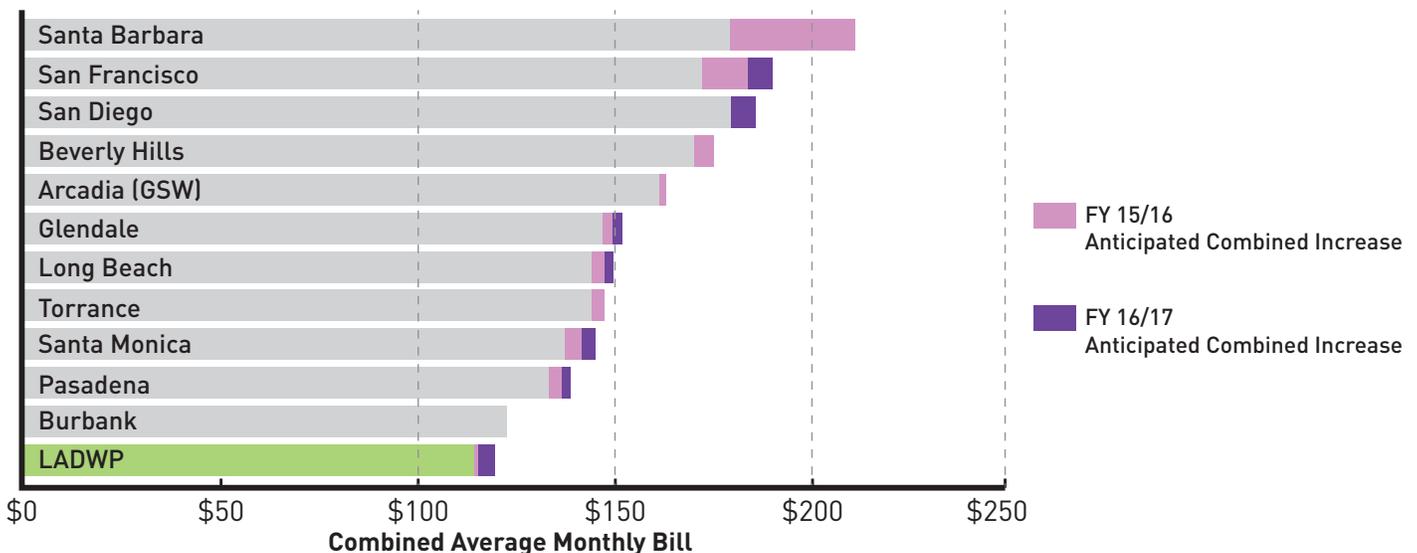


Water: The new water rates will provide approximately \$330 million in additional revenues by the end of five years. The majority of new revenues will enable LADWP to increase the pace of replacing aging water infrastructure for reliability as well as meet water quality regulations. Additional revenues will protect the city from prolonged drought conditions in the future by expanding local water resources and reducing dependence on more expensive, imported purchased water. Local water supply programs include expanding the use of recycled water, enhancing the capture of stormwater for reuse and replenishing groundwater, and remediating the San Fernando aquifer to restore full use of LADWP's water allocation from the basin.



COMPETITIVE WATER AND POWER RATES

Many water and power agencies are raising their rates in the region and state to meet increasing costs of providing reliable water and power. Even after the new rate changes, LADWP's rates will remain below those of most utilities and 10% to 20% less than those of investor-owned utilities in the state.



WAYS TO SAVE WATER, POWER AND MONEY



Shut off the tap



Use a rake or broom



Use energy efficient products



Adjust your thermostat

Quick Tips to Save Water

Turn Off: Shut off the tap when not in use such as when doing dishes and brushing your teeth.



Fix Leaks: Check for leaks in faucets, plumbing joints, and your sprinkler system. Repairing them can save 20 gallons a day for every leak stopped.

Take 5: Shorten showers to 5 minutes or less.

Water Smarter: Install a water efficient irrigation system with rotating nozzles or a weather-based irrigation controller and save 15 – 30 gallons per day.

Run Full Loads: Save water by running only full loads when using the dishwasher or washing machine.



Water 2 Days per Week: While outdoor watering with sprinklers is limited to three days a week, consider cutting down to two days/week.

Water Rebates – Outdoor

“Cash in Your Lawn” Turf Replacement Program: \$1.75 per square foot rebate

Rain Barrel: \$100 rebate

Rain Cistern: \$400 rebate

Weather-based Irrigation Controller: \$200 rebate

Rotating Sprinkler Heads: \$6.00 per head rebate

Water Rebates – Indoor

High Efficiency Clothes Washer: \$300 rebate



High Efficiency Toilet: \$100 rebate

Free Faucet Aerators and Showerheads:
Save hundreds per year

Quick Tips to Save Power

Adjust Your Thermostat: Set thermostat at 78° in summer and 68° in winter. Turn off the A/C when not at home.

Get with the Program: Install a programmable thermostat to help keep your A/C costs low during the day when you're not at home.



Be Smart about Lighting: Turn off unnecessary lights; use task or desktop lamps instead of overhead lights; use CFLs, which last 10 times longer than incandescent bulbs and can reduce your energy costs by \$8 annually.

Power Down: Unplug appliances and electronic devices when not in use.

Be Aware of “Energy Vampires”: Electronic devices with a clock or “instant on” setting use electricity 24/7. Unplug them or use a “smart power strip” that automatically reduces the energy use.

Run Appliances Later in the Day: Limit the use of appliances during the late afternoon (after 3 p.m.) to avoid peak hours of the day — use washing machines, dishwashers, vacuum cleaners, and other heavy appliances during evening hours.

Ventilate Your Home: Open windows and doors during the evening to cool off your home. In the morning before the day starts to heat up, close windows and blinds to keep warm air out.

Energy Efficiency Rebates

Variable speed pool pump: Up to \$1,000 rebate

Heating or air conditioning system: Up to \$120 per ton rebate

Lighting: \$2.50 per bulb rebate

Television: Up to \$25 rebate

Refrigerator: Up to \$75 rebate

Clothes washer: Up to \$300 rebate

For more water and energy saving rebates and quick tips, visit www.ladwp.com/rebatesandprograms.

Discounts for Income Qualified Customers

LADWP offers a Low-Income Discount Rate for income-qualifying customers, and a Lifeline Discount Rate for income qualifying seniors. Visit www.ladwp.com/lowincome to learn more about these and other special discounts.