Update on Customer Service

Current Status of Billing System
- 98.7% of bills mailed on time
- < ½ of 1% of bills require manual review
- 130 customer service reps hired

Class-Action Lawsuit Settlement
- Proposed settlement reached
- All accounts reviewed for accuracy
- Any customer overcharged will receive 100% credit
- Actively pursuing claims against vendor to recover damages

Accounts Receivable Impact Low
- Accounts Receivable higher than normal
- Focus is on collecting delayed revenue/delayed bills
- Main cost driver for rate proposal is investment in infrastructure, supply transformation, conservation
Increasing Focus on Customer Service

- Monthly Billing
- Quick Response
- High Reliability & Low Rates
- Implement Survey Feedback
- Build Trust
- Customers Best Interest at Heart
- Improved Customer Outreach
- Multiple Customer Contacts
- Increase Online Self-Serve Options
- Reduce Call Wait Times
- Link to 311

Easy to do Business With
We exceeded 3-year Cost Reduction Goal and saved over $466.9 million from FY 11-12 through FY 13-14. Additional savings achieved include:

- New labor contract: Saves $456M over 4 years; 
  $5B over 30 years
- Lower cost financing for water and power projects will save approximately $267M
- Corporate Performance Unit benchmarking and performance metrics will ensure cost efficiency and accountability
Our Rates Are Competitive

How L.A. Water & Power Bills Compare
Before & After Rates Changes

Santa Barbara
San Francisco
San Diego
Beverly Hills
Arcadia (GSW)
Glendale
Long Beach
Torrance
Santa Monica
Pasadena
Burbank
LADWP

Combined Average Monthly Bill

*Data for the listed utilities only available for FY 15/16 and FY 16/17

FY 15/16 Anticipated Combined Increase
FY 16/17 Anticipated Combined Increase
Priorities for Rates Request

Replace aging infrastructure

Protect from drought, transform supplies & meet mandates

Improve customer service & keep rates competitive
How Much Do We Need?

5-Year Revenue Needs
Power: $900 Million
Water: $230 Million
How Does This Break Down?

Mandates: 75% of New Power Revenues

Infrastructure: 85% of New Water Revenues

7.5% Labor

6% Labor
Water Infrastructure
Increasing Reliability and Saving Money

The Sunset Blvd. trunk line break highlighted need to ramp up replacement of aging & vulnerable pipes and related Water System infrastructure.

Sudden water pipe breaks cost 3x more than planned repair or replacement.

Other benefits:
• Protects public safety and property
• Increases water reliability
• Reduces loss of valuable water resources
• Less impact on traffic
Sustained Investment Improves Reliability

Main replacement levels correlate with reduced leaks
Goal to cut purchased water in half while increasing local water supply

FY 2010-2014 Average

- MWD 53%
- LA Aqueduct 34%
- Groundwater 12%
- Recycled 1%

FY 2034 – 2035 Projected

- MWD 24%
- LA Aqueduct 34%
- Water Transfer 6%
- Stormwater Capture 3%
- Conservation 9%
- Recycled 8%
- Groundwater 16%
## Water: 5-Year Spending Plan for Core Initiatives

<table>
<thead>
<tr>
<th>Historical Average*</th>
<th>Core Initiative</th>
<th>5-Yr Average</th>
<th>5-Yr Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$306M</td>
<td>Infrastructure Replacement</td>
<td>$534M</td>
<td>$2.7B</td>
</tr>
<tr>
<td>$134M</td>
<td>Supply Transition**</td>
<td>$341M</td>
<td>$1.7B</td>
</tr>
<tr>
<td>$299M</td>
<td>Mandates Water Quality</td>
<td>$314M</td>
<td>$1.6B</td>
</tr>
<tr>
<td>$103M</td>
<td>Owens Valley Regulatory</td>
<td>$217M</td>
<td>$1.1B</td>
</tr>
<tr>
<td>$842M</td>
<td>TOTAL (Capital and O&amp;M)</td>
<td>$1.4B</td>
<td>$7.0B</td>
</tr>
</tbody>
</table>

*Historical Average based on last completed fiscal years 2012-13 and 2013-14.

**Supply transition includes Local Water Supply Programs – recycled water, stormwater capture, groundwater remediation.
Power System Infrastructure Aging Rapidly
Proactive Investment in Infrastructure: Increasing Reliability and Saving Money

Owens Gorge Control Plant
- Planned work: Estimated cost $10 M
- Work deferred due to funding constraints
- Forced outage required same work but on an emergency basis – cost 6x as much.

Heat Storms
- Replacement of distribution transformers after 2007 heat storm
- Reduced customer outages over 24 hours by 99.3% during 2014 heat storm
Power Supply Transition & Mandates

Transforming power supply to meet mandates and create clean energy future for our customers.

*2013 percentages will differ from the CEC reporting requirements because energy efficiency is accounted for as a resource.
## Power : 5-Year Spending Plan for Core Initiatives

<table>
<thead>
<tr>
<th>Historical Average *</th>
<th>Core Initiative</th>
<th>Proposed 5-Yr Avg.</th>
<th>Proposed 5-Yr Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$525M</td>
<td>Infrastructure Replacement (PSRP)</td>
<td>$895M</td>
<td>$4.5B</td>
</tr>
<tr>
<td>$785M</td>
<td>Supply Transition &amp; Mandates **</td>
<td>$1.1B</td>
<td>$5.5B</td>
</tr>
<tr>
<td>$61M</td>
<td>Energy Efficiency</td>
<td>$176M</td>
<td>$879M</td>
</tr>
<tr>
<td>$1.4B</td>
<td>TOTAL (Capital and O&amp;M)</td>
<td>$2.2B</td>
<td>$10.9B</td>
</tr>
</tbody>
</table>

*Historical Average based on last completed fiscal years 2012-13 and 2013-14.

**Supply transition and mandates includes coal transition, renewables and repowering.
A Little Goes a Long Way

Our customers pay a little more: $4.75/month

Revenues increase: $1 billion/5 years

Strong credit ratings and low interest rates help us maximize customer $: $17 billion for infrastructure, water & power supplies, and better customer service
### Proposed 5-Year Water & Power Rate Changes with Monthly Costs

<table>
<thead>
<tr>
<th></th>
<th>Low-Use Residential</th>
<th>Typical Residential</th>
<th>High-Use Residential</th>
<th>Small Commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(250 kWh/Month 8 HCF/Month)</td>
<td>(500 kWh/Month 12 HCF/Month)</td>
<td>(900 kWh/Month 27 HCF/Month)</td>
<td>(1,000 kWh/Month 15 HCF/Month)</td>
</tr>
<tr>
<td>Current Monthly Bill</td>
<td>$76.14</td>
<td>$132.44</td>
<td>$292.33</td>
<td>$240.04</td>
</tr>
<tr>
<td>5-Year Avg. Annual Power Rate Change</td>
<td>$1.37 (3.5%)</td>
<td>$2.28 (3.0%)</td>
<td>$7.31 (4.7%)</td>
<td>$6.65 (3.8%)</td>
</tr>
<tr>
<td>5-Year Avg. Annual Water Rate Change</td>
<td>$0.58 (1.4%)</td>
<td>$2.46 (3.8%)</td>
<td>$10.33 (6.1%)</td>
<td>$2.35 (2.8%)</td>
</tr>
<tr>
<td>Total 5-Year Average Rate Change</td>
<td>$1.95 (2.4%)</td>
<td>$4.75* (3.4%)</td>
<td>$17.64 (5.4%)</td>
<td>$9.00 (3.5%)</td>
</tr>
<tr>
<td>Average Monthly Bill Increase At the End of 5 Years</td>
<td>$9.74</td>
<td>$23.73</td>
<td>$88.19</td>
<td>$45.02</td>
</tr>
<tr>
<td>Average New Monthly Bill At the End of 5 Years</td>
<td>$85.88</td>
<td>$156.17</td>
<td>$380.52</td>
<td>$285.06</td>
</tr>
</tbody>
</table>

* Amount is rounded up
Water Rate Restructuring

Explanation of Tiered Pricing for Water Use

<table>
<thead>
<tr>
<th>Tier 1 - Basic Use (8 HCF/Month)</th>
<th>FY 2014-15</th>
<th>$4.96</th>
<th>FY 2015-16</th>
<th>$5.41</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 2* - Efficient Use (45% ETAFF)</td>
<td>$4.45</td>
<td>$5.90</td>
<td>$7.91</td>
<td></td>
</tr>
<tr>
<td>Tier 3* - High Use (135% ETAFF)</td>
<td>$6.31</td>
<td>$5.41</td>
<td>$7.91</td>
<td></td>
</tr>
<tr>
<td>Tier 4 - Excessive Use</td>
<td>$6.31</td>
<td>$7.91</td>
<td>$7.91</td>
<td></td>
</tr>
</tbody>
</table>

*Tier 2 and 3 allotments will also vary based on temperature zone and lot size.
Ways to Save

We continue to expand Customer Programs that help manage bills and benefit the environment

**Energy Efficiency**
Commercial/Industrial Incentives & Measures
Technical Assistance
Education & Outreach

**Solar Programs**
Solar Incentives
Feed-in Tariff

**Water Conservation**
Commercial Rebates for Water-Saving Measures
Technical Assistance
Education & Outreach

**EV Charger Rebates**
Commercial:
Up to $1,000 for workplace chargers
Additional Rate Changes

• Reliability “pass-through” factor for Water & Power aligns revenues with spending on projects

• Restructuring rates to encourage conservation while maintaining appropriate revenues

• Rebalancing of Customer Classes based on Cost of Service Study to ensure equity among customer sectors

• Power access charge based on how much energy a customer consumes
Public Outreach

Connecting with Communities
• Community Meetings
• Business Groups
• Webcasts
• Neighborhood Council Coalition Meetings
• Additional Stakeholder Briefings
• Employee Briefings

Communications Strategies
• Website – www.MyLADWP.com
• Videos
• Earned media
• Social media
Timeline for Rate Request

**2015**
- Jan-June: Report to RPA (submitted by Charter)
- Completed Phase 1 benchmarking
- PA Presented revenue requirement to Board

**2016**
- NC Notification & Public Outreach
- Prop. 218 Notice

**Jan**
- Notification of Rate Action to Board
- Presentations to Business Groups
- Regional Public Meetings, Webcasts, NC Coalition Meetings, Stakeholder Briefings

**Aug**
- RPA report to Board

**Sept**
- Proposed Rates to Board

**Oct**
- Rate Ordinance to E & E Committee

**Nov**
- Final Rate Ordinance to City Council

**Dec**
- New Rates in Effect
For More Information

Visit MyLADWP.com
Appendix
## 5-Year Power Rate Change for Commercial Customers

### Proposed 5-Year Water & Power Rate Change

<table>
<thead>
<tr>
<th></th>
<th>Medium Commercial</th>
<th>Large Commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Power Average Rate</strong></td>
<td>$0.1573</td>
<td>$0.1502</td>
</tr>
<tr>
<td><strong>5-Year Average Power Rate Change ($/kWh)</strong></td>
<td>$0.0078 (4.53%)</td>
<td>$0.0075 (4.57%)</td>
</tr>
<tr>
<td><strong>Current Water Average Rate ($/HCF)</strong></td>
<td>$5.063</td>
<td>$5.063</td>
</tr>
<tr>
<td><strong>5-Year Average Water Rate Change ($/HCF)</strong></td>
<td>$0.156 (2.83%)</td>
<td>$0.130 (2.39%)</td>
</tr>
</tbody>
</table>
Commercial Rates Are Competitive - Power

Large Commercial & Industrial Customers Power Rate Comparison with Neighboring Cities

January 2015 Cents per kWh

LADWP: 15¢
SCE: 16¢
PG&E: 17¢
SDG&E: 22¢
Anaheim: 16¢
Burbank: 17¢
Glendale: 16¢

*Does not include utility users tax.
# 5-Year Power Rate Change for Commercial Customers

## Proposed 5-Year Water and Power Rate Change

<table>
<thead>
<tr>
<th></th>
<th>Small Commercial (1,000 kWh/Month 15 HCF/Month)</th>
<th>Medium Commercial (12,250 kWh/Month 80 HCF/Month)</th>
<th>Large Commercial (100,000 kWh/Month 500 HCF/Month)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Monthly Bill</strong></td>
<td>$240.04</td>
<td>$24,458.00</td>
<td>$172,281.00</td>
</tr>
<tr>
<td><strong>5-Year Avg. Annual Power Rate Change</strong></td>
<td>$6.65 (3.8%)</td>
<td>$1,175 (4.5%)</td>
<td>$8,872 (4.7%)</td>
</tr>
<tr>
<td><strong>5-Year Avg. Annual Water Rate Change</strong></td>
<td>$2.35 (2.8%)</td>
<td>$8.93 (2.2%)</td>
<td>$51 (2.1%)</td>
</tr>
<tr>
<td><strong>Total 5-Year Avg. Annual Rate Change</strong></td>
<td>$9.00 (3.5%)</td>
<td>$1,183.93 (4.4%)</td>
<td>$8,923 (4.7%)</td>
</tr>
<tr>
<td><strong>Average Monthly Bill Increase At End of 5 Years</strong></td>
<td>$45.02</td>
<td>$5,919.65</td>
<td>$44,615</td>
</tr>
<tr>
<td><strong>Average New Monthly Bill At End of 5 Years</strong></td>
<td>$285.06</td>
<td>$30,377.65</td>
<td>$216,896.00</td>
</tr>
</tbody>
</table>
Industry Trends - Water

How do LADWP’s water rates compare?