

# Overview

## Power Rates

## Break-out Session

Basic Business Needs vs.  
Strategic Investments

Rates

Customer Bill Impacts

Q&A

Survey

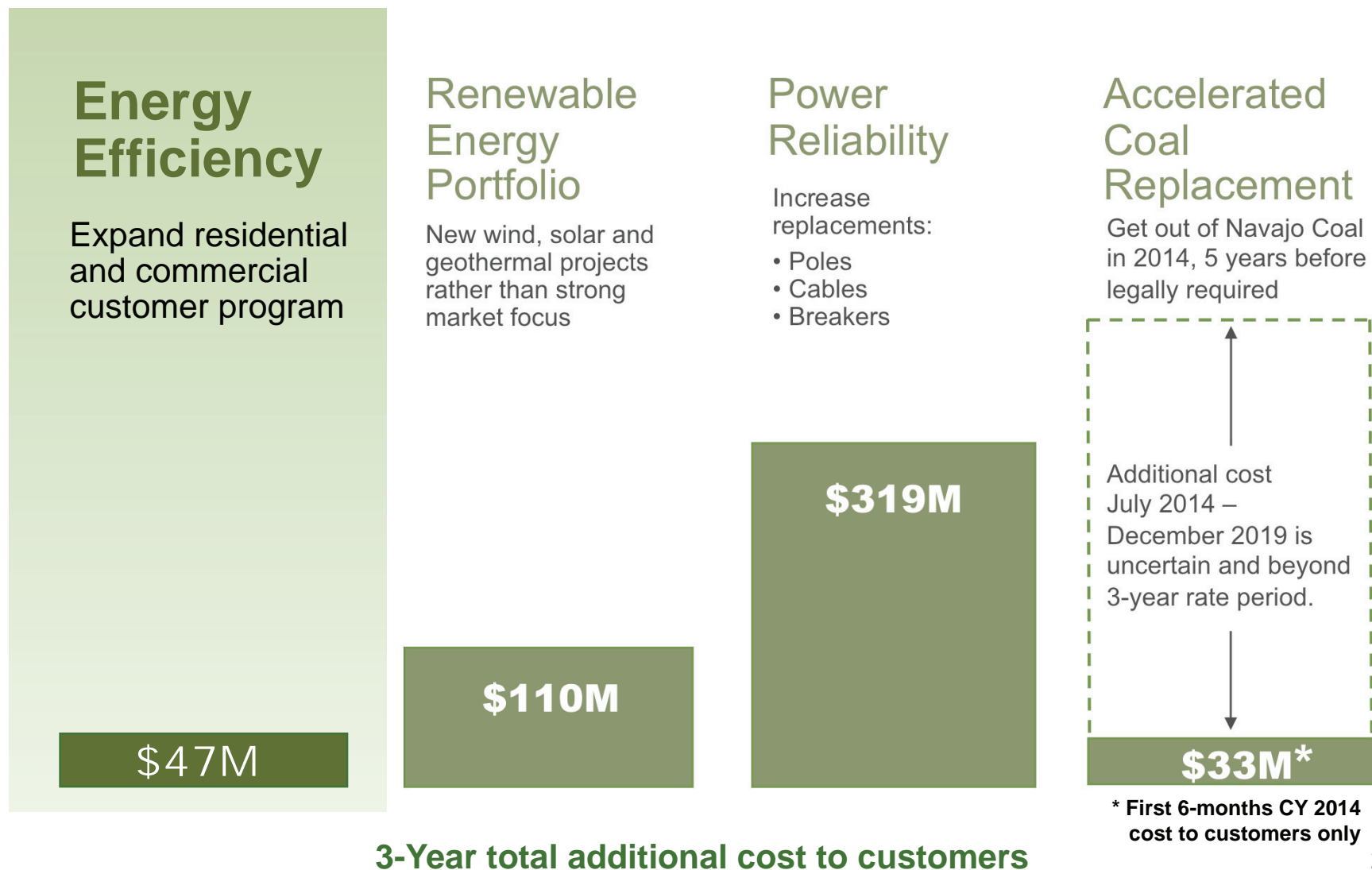


# Strategic Investments

Transforming our water and energy supplies and investing in reliability are multi-year, decades-long efforts.

Strategic investments put us on course toward meeting new legal and environmental mandates and investing in our water and power future.

# Strategic Power Investments



# Energy Efficiency

## Saving Energy Saves Money

By increasing investment in Energy Efficiency programs we will help more customers reduce their power bills and offset rate increases. Strategic energy efficiency investments will also help us reduce carbon emissions at a faster pace.

### Basic vs. Strategic

		Basic Business Needs	Strategic Investment
Residential	Low Income Refrigerator Exchange	Continued	Continued
	Refrigerator Turn-In and Recycle	Reduced by 1/2	2.5x current budget
	Consumer Rebate Program	Continued	Increased
	Residential Lighting Program		New
Commercial	Refrigeration Program	Eliminated	Continued
	Commercial Lighting Efficiency Rebates	Reduced	Continued
	Custom Performance Program	Continued	Increased
	Chiller Efficiency Program	Continued	Increased
	New Construction Program	Continued	Increased
	Air Conditioner Replacement Program		New

## Strategic Investment: Additional \$47 Million

3-Year total additional cost to customers

Rate Increase 0.3% each year  
**3-year annual average**  
 Typical Residential (500 kWh)

Monthly Bill Impact \$0.20 more each year  
**3-year annual average**  
 Typical Residential (500 kWh)

# Strategic Power Investments

## Energy Efficiency

Expand residential and commercial customer program

**\$47M**

## Renewable Energy Portfolio

New wind, solar and geothermal projects rather than strong market focus

**\$110M**

## Power Reliability

Increase replacements:

- Poles
- Cables
- Breakers

**\$319M**

## Accelerated Coal Replacement

Get out of Navajo Coal in 2014, 5 years before legally required

Additional cost July 2014 – December 2019 is uncertain and beyond 3-year rate period.

**\$33M\***

\* First 6-months CY 2014 cost to customers only

**3-Year total additional cost to customers**

# Renewable Energy Portfolio

We can comply with state law at a lower short-term cost by investing in biogas purchases, making ourselves vulnerable to future market price volatility, or we can steadily invest in a balanced mix of renewable energy to give us local control and better future cost certainty.

## Basic vs. Strategic

### Basic Business Needs

### Strategic Investment

More Reliance on Market Purchases to maintain RPS level

✓

New wind, solar and geothermal projects (115 MW)

Deferred

Included

Feed-in-Tariff Program (first 10MW of 75 MW program)

Included

Included

Adelanto Solar 10 MW

Included

Included

Pine Tree Solar 10 MW

Included

Included

SB-1 Solar Incentive Payments  
(70 MWs, \$180 M, over next 3 years)

Included

Included

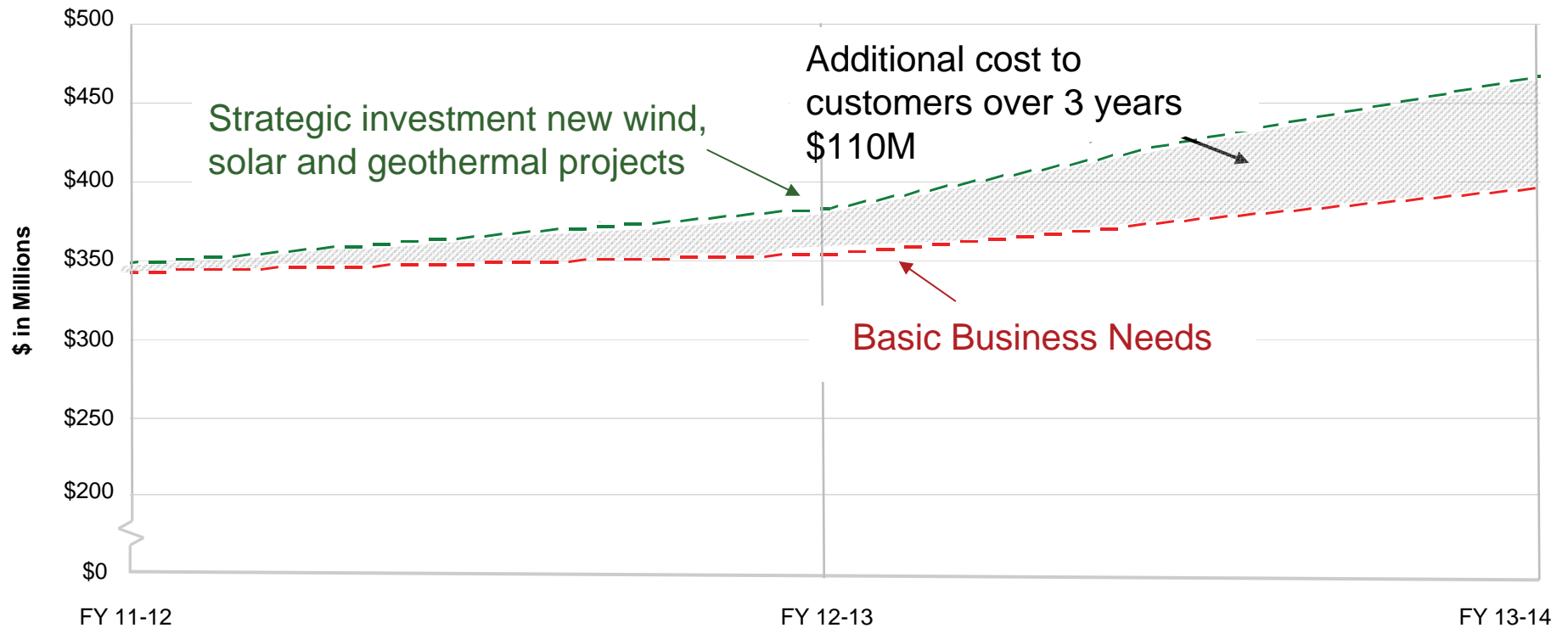
**Strategic Investment: Additional \$110 Million**  
3-Year total additional cost to customers

Rate Increase 0.8% each year  
3-year annual average  
Typical Residential (500 kWh)

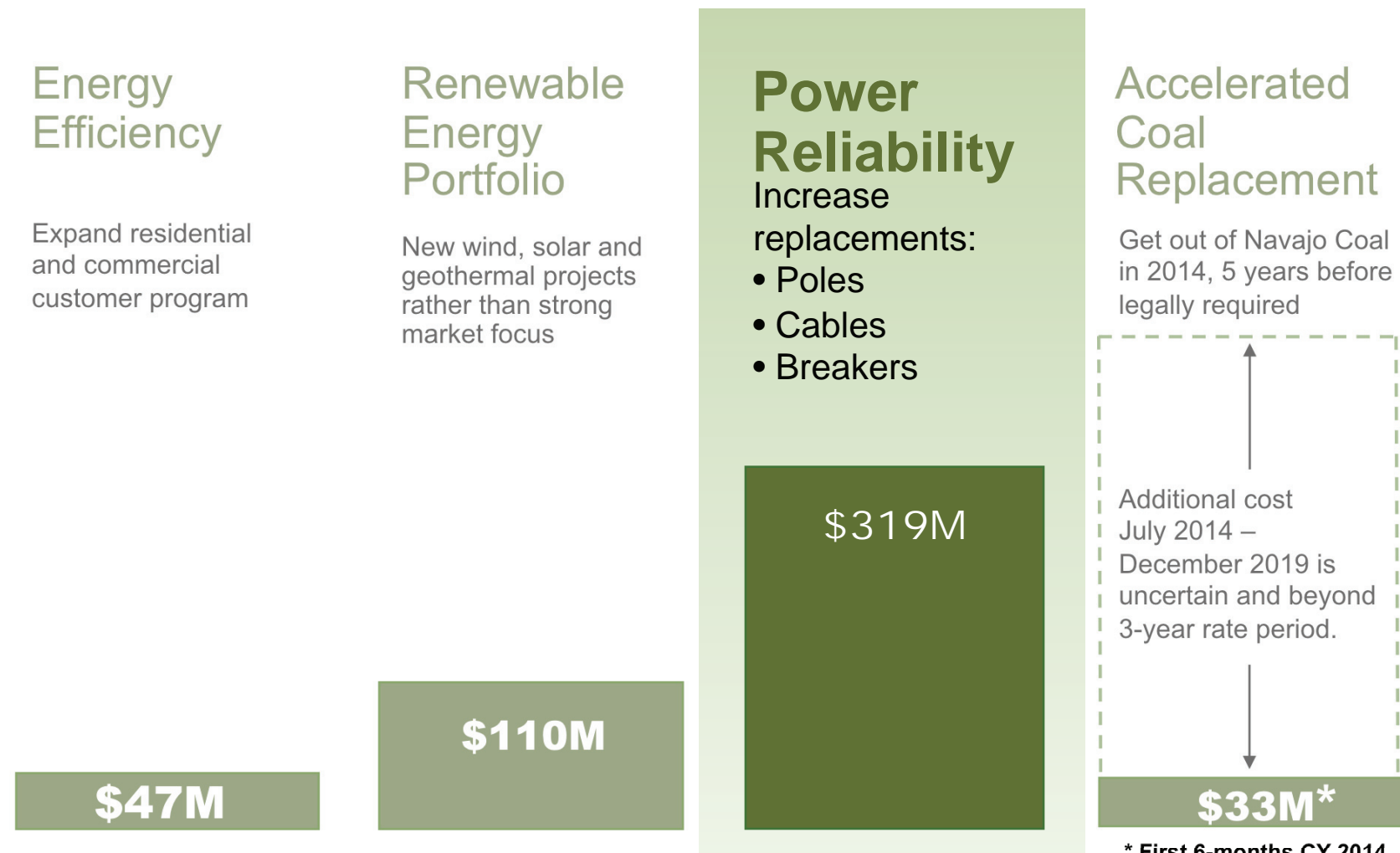
Monthly Bill Impact \$0.56 more each year  
3-year annual average  
Typical Residential (500 kWh)

# Renewable Energy Portfolio Strategic Investments

Annual additional costs to the customer for alternative energy strategies



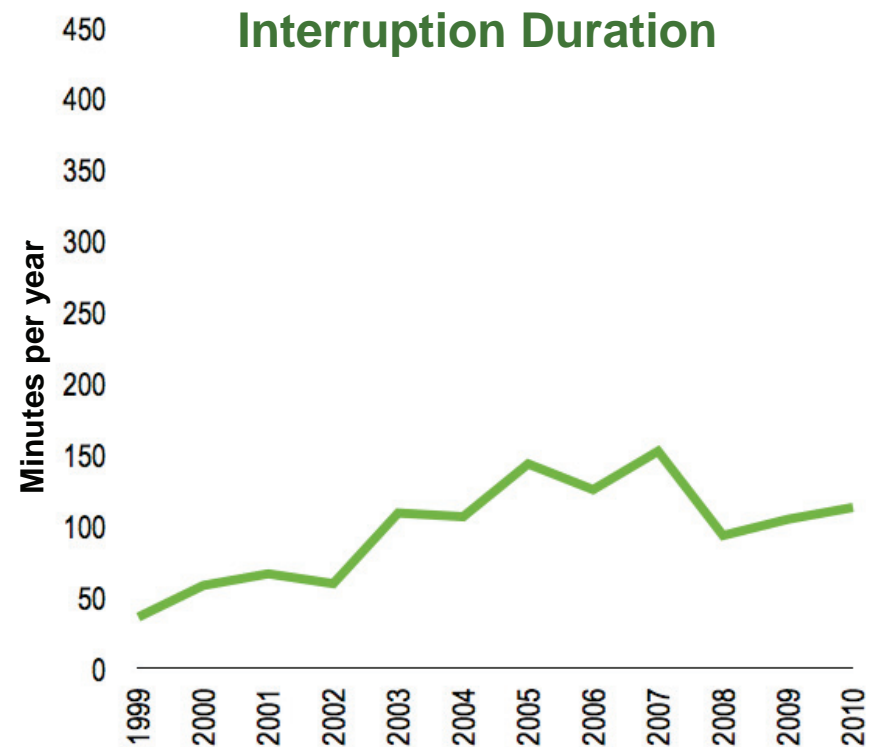
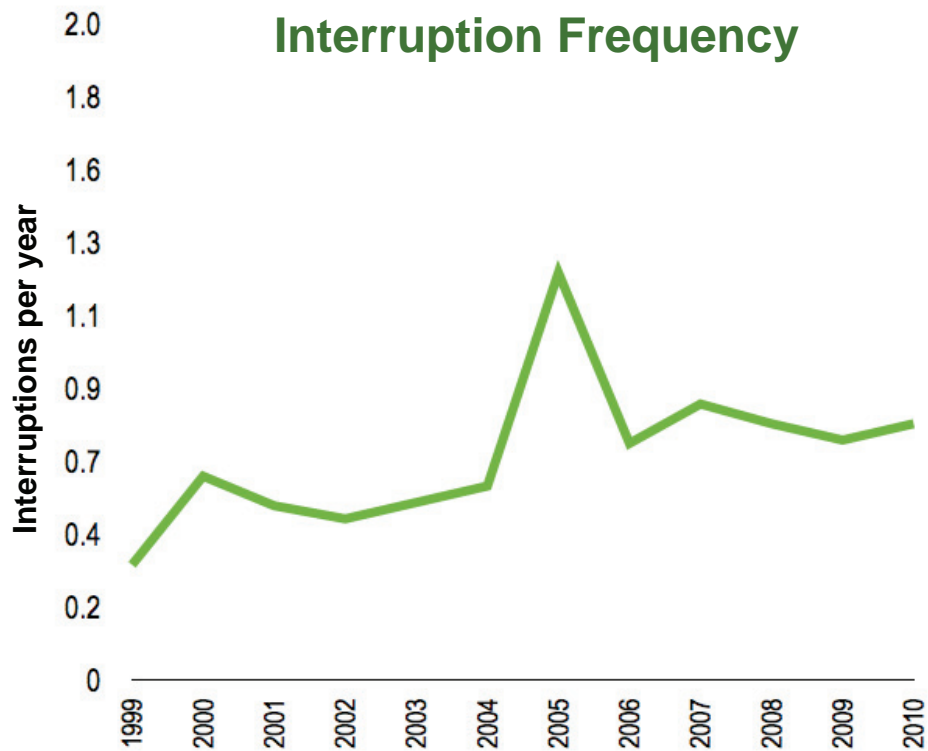
# Strategic Power Investments



**3-Year total additional cost to customers**

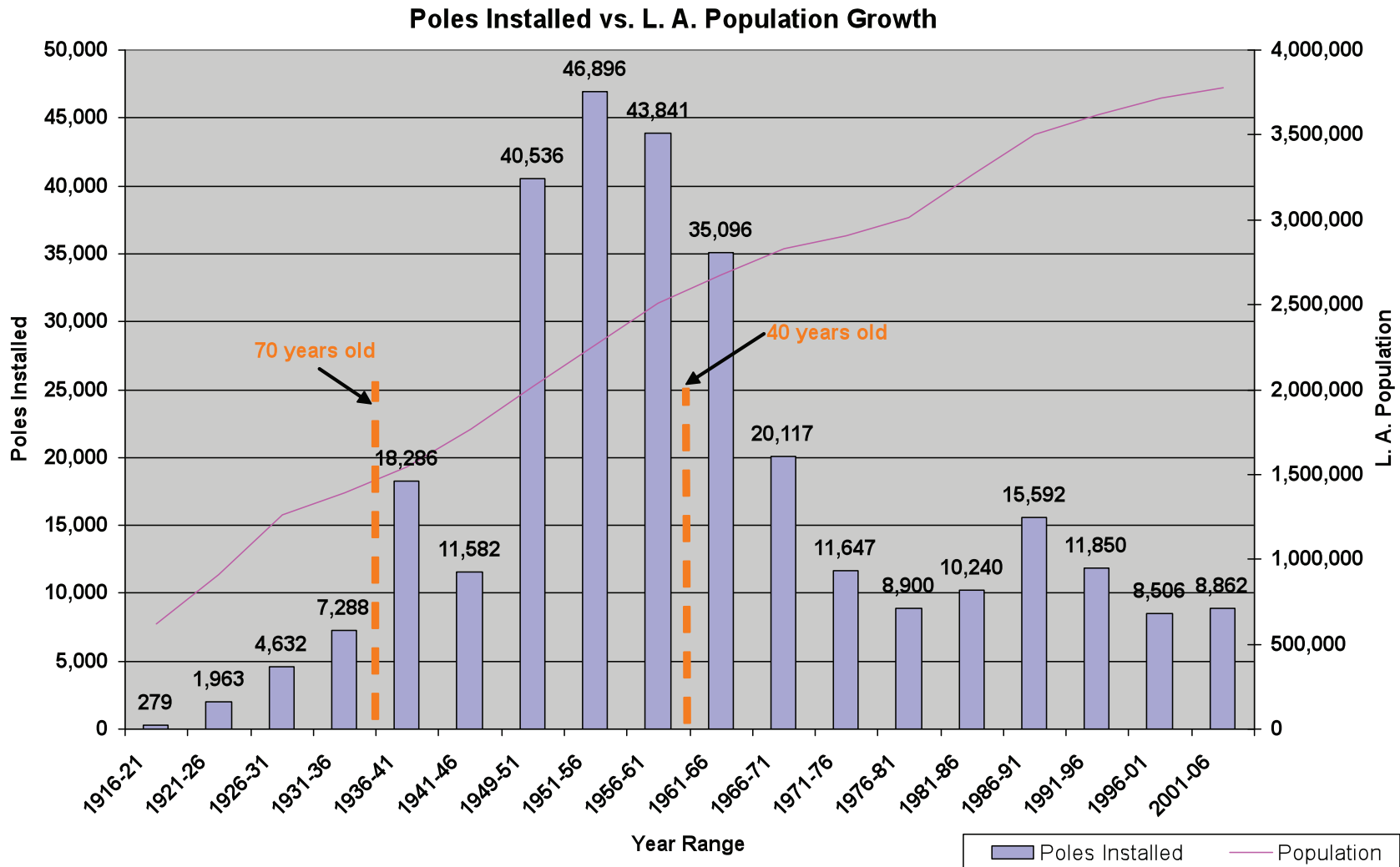
\* First 6-months CY 2014 cost to customers only

We've been ramping up investments in reliability.  
The average LADWP customer experienced less than one outage in 2010...

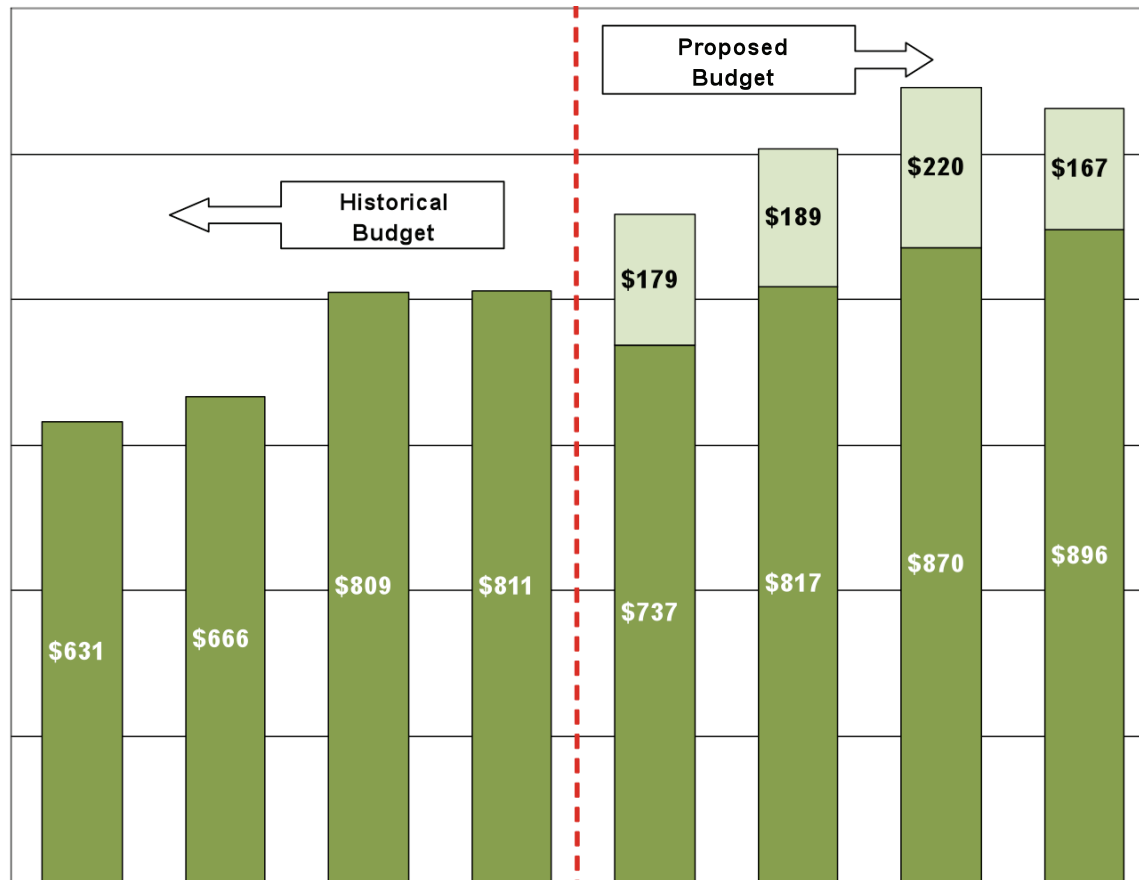


...and less than 2 hours of interrupted service in 2010.

But our power distribution system is aging and our rate of replacement needs to keep pace with age.  
 79% of our poles are over 40 years old



# Power Reliability and Other Infrastructure Combined O&M and Capital



We've increased our investments in power reliability over the last 4 years. The new budget for basic business reduces spending by \$74 million next year. Strategic investments will keep us on a more proactive schedule.

# Power Reliability

## Reactive or proactive?

It's a question of service. We can run our business with bare minimum funding for power reliability. Or we can choose to spend a little more and proactively replace the foundation of our system – poles, cables and breakers. If we delay, it will cost more to repair and replace later, with a decline in service quality.

Basic vs. Strategic		Basic Business Needs	Strategic Investment
Poles	Annual Replacement	2,100	5,000
	Replacement Cycle	145 years	60 years
Transformers	Annual Replacement	2,400	2,400
	Replacement Cycle	53 years	53 years
Crossarms	Annual Replacement	Failure Only	5,000
Underground Cables	Annual Replacement	27 miles	60 miles
	Replacement Cycle	160 years	72 years

**Strategic Investment: Additional \$319 Million**  
 3-Year total additional cost to customers

Rate Increase 1.1% each year  
 3-year annual average  
 Typical Residential (500 kWh)

Monthly Bill Impact \$0.86 more each year  
 3-year annual average  
 Typical Residential (500 kWh)

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**3-Year total additional cost to customers**

# Accelerated Coal Replacement

**LADWP plans to eliminate coal-generated power. The issue is timing.**

**Just as shifting to more renewable energy requires long-term planning and development, so does replacing coal power, which accounts for 39% of our total energy mix.**

**The issue we face is how quickly we choose to transition from coal, while maintaining reliability and keeping our rates as affordable as possible.**

# Strategic Power Investments

## Average Annual Bill Impact per month for 3 years

	Typical residential (500 kWh)	High-use single- family residential (1,500 kWh)	Small commercial (1,000 kWh)
<b>Current Total Bill</b>	<b>\$67.00</b>	<b>\$212.10</b>	<b>\$136.40</b>
Basic Business Needs	\$4.04	\$12.11	\$8.63
<b>Strategic Investments</b>			
Energy Efficiency	\$0.20	\$0.62	\$0.40
Renewable Portfolio Standard	\$0.56	\$1.76	\$1.15
Power Reliability	\$0.86	\$2.70	\$1.76