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BOARD LETTER APPROVAL

RESOLUTION NO. 024 037

POWER SYSTEM WATER SYSTEM
 COO CFO LEGAL

Release Date

September 28, 2023

AnnM. Santilli (Aug 10, 2023 07:27 PDT)

ANN M. SANTILLI
 Chief Financial Officer

ANSELMO G. COLLINS
 Senior Assistant General Manager
 Water System

Aram Benyamini (Aug 11, 2023 09:45 PDT)

ARAM BENYAMINI
 Chief Operating Officer

Martin L Adams (Aug 14, 2023 08:17 PDT)

MARTIN L. ADAMS
 General Manager and Chief Engineer
DATE: August 7, 2023**SUBJECT:** Estimated Water Supply Cost, Water Quality Improvement, and Owens Valley Regulatory Expenditures for January 1, 2024 Through December 31, 2024**SUMMARY**

The attached Resolution approves expenditures for inclusion, for the 12-month period commencing January 1, 2024, in adjustment factors of the Water Rate Ordinance No. 184130 (Ordinance). These include Water Supply Cost Adjustment (WSCA), Water Quality Improvement Adjustment (WQIA), and Owens Valley Regulatory Adjustment (OVRA) factors. These expenditures are used to calculate factors for rate components that recover costs of providing water service to customers.

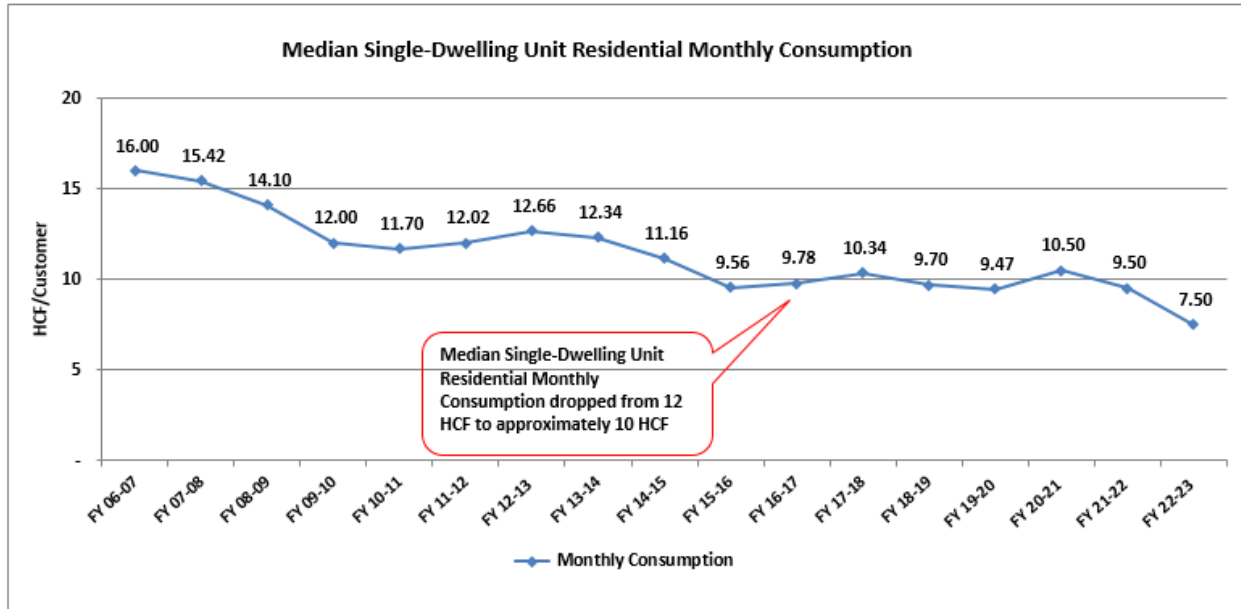
City Council approval is not required.

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners (Board) adopt the attached Resolution authorizing the estimated expenditures for inclusion in the WSCA, WQIA, and OVRA factors for the 12-month period commencing January 1, 2024.

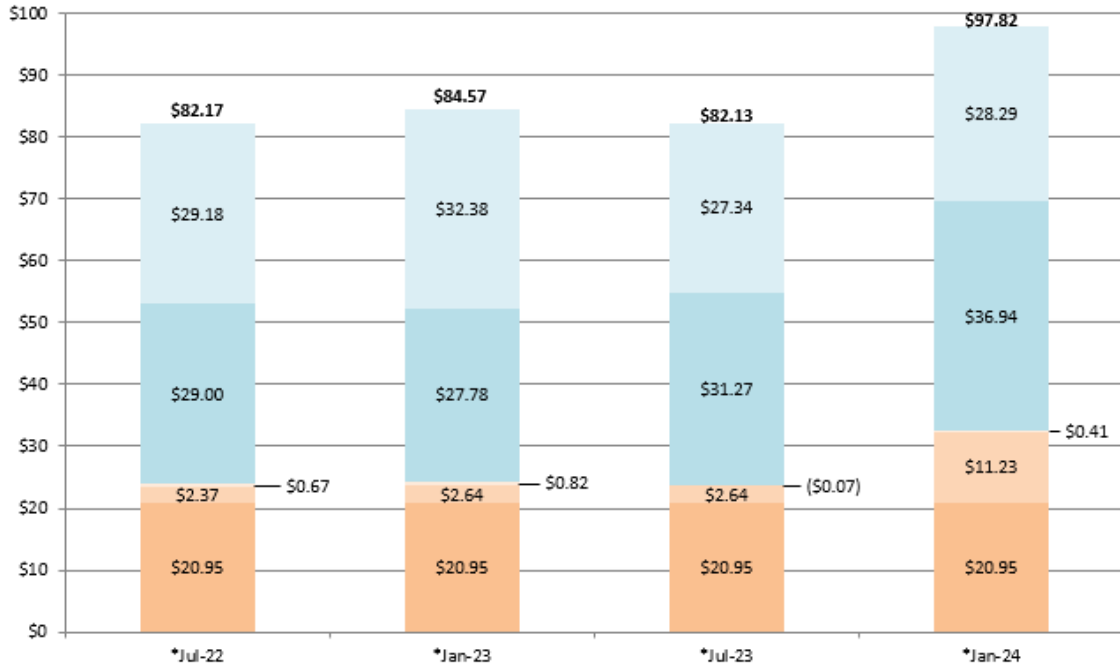
FINANCIAL INFORMATION

The chart below shows the trend of the historic median Single-Dwelling Unit Residential customer monthly consumption. Due to effective conservation efforts as a result of Executive Directive No. 5 issued by the Mayor in October 2014, the median Single-Dwelling Unit Residential customer monthly usage has reduced from 12 hundred cubic feet (HCF) to approximately 10 HCF. For Fiscal Year 2022-23, due to the lower sales resulting from the recent wet winter, the median Single-Dwelling Unit Residential customer monthly usage was further reduced to 7.5 HCF.



Effective January 1, 2024, the Single-Dwelling Unit Residential customer's water bill (10 HCF) will be \$97.82. Average hydrologic conditions are projected for the Los Angeles Aqueduct (LAA) supplies during the analysis period following the recent wet winter. Groundwater production is forecasted to increase as San Fernando Basin Groundwater Remediation Facilities are expected to become operational in 2024. To meet the water demand, purchases of supplemental supplies from the Metropolitan Water District of Southern California (MWD) are expected to increase as we return to average hydrologic conditions.

**LADWP Historic/Projected
Single-Dwelling Unit Residential Customer Monthly Median Bill (10HCF)**



Legend	
	Water Supply Adjustment
	Owens Valley Regulatory, Water Quality & Water Infrastructure
	Water Expense Stabilization & Low-Income/Lifeline
	Base Rate Revenue Target Adjustment
	Base Revenue

*Consistent with the Water System financial plan that assumes no securitization

Compared to the previous period, the Single-Dwelling Unit Residential customer's monthly bill (10 HCF) will increase by 19.1 percent, or \$15.69 per month, from \$82.13 to \$97.82. The main drivers of the increase are attributed to higher Base Rate Revenue Target Adjustment shortfall resulting from lower sales volume and lower base revenue from the Single-Dwelling Unit Residential customers in Fiscal Year 2022-23 arising from the recent wet winter, an increase in operations and maintenance costs for Owens Lake Emergency Flood Mitigation project, and an increase in the balancing account for the WQIA.

Board-approved qualified expenditures for the 12-month period commencing January 1, 2024, are used to calculate the respective factors as outlined in the Ordinance. The WSCA, WQIA, and OVRA factors are calculated two times each year and take effect January 1 and July 1, respectively. The water infrastructure related expenditures do not require Board approval in this Board resolution since the factor is calculated once each year and takes effect July 1. The rate components applied to actual billing of customers per HCF are shown in the table below as well as the variance

comparison against the previously approved factors. Calculations for the three factors that require Board approval in this Board Resolution and supporting detail are included in Schedules A, B, and C and Attachments 1, 2, and 3.

Factor (in \$/HCF)	Proposed Jan-Jun 2024	Approved Jul-Dec 2023	Variance (Decrease)/Increase
Water Supply Cost Adjustment Factor			
Tier 1 - Basic Use	\$2.455	\$2.322	\$0.133
Tier 2 - Efficient Use	\$4.324	\$4.380	(\$0.056)
Tier 3 - High Use	\$4.324	\$4.380	(\$0.056)
Tier 4 - Excessive Use	\$4.324	\$6.636	(\$2.312)
Water Quality Improvement Adjustment Factor	\$2.104	\$1.713	\$0.391
Owens Valley Regulatory Adjustment Factor	\$0.502	\$0.326	\$0.176
Water Infrastructure Adjustment Factor	\$1.088	\$1.088	\$0.000

Automatic Water Adjustment Factors – Information Only

For your information, the automatic water adjustment factors not requiring Board action are in the chart below as well as the variance comparison against the prior period factors. Calculation for the proposed factors that would change on January 1, 2024, and supporting detail are included in Attachments 4 and 5.

Factor (in \$/HCF)	Proposed Jan-Jun 2024	Prior Period Jul-Dec 2023	Variance (Decrease)/Increase
Base Rate Revenue Target Adjustment Factor			
Schedule A - Single Dwelling Unit Residential	\$1.123	\$0.264	\$0.859
Schedule B - Multi-Dwelling Unit Residential	\$0.663	\$0.296	\$0.367
Schedule Other - Commercial, Industrial, and Governmental	(\$0.156)	(\$0.263)	\$0.107
Water Expense Stabilization Adjustment Factor	\$0.041	(\$0.007)	\$0.048

As a result of the court order from Los Angeles Superior Court Case No. 19STCV07272, effective May 5, 2023, the LADWP has stopped billing the Low-Income Subsidy Adjustment (LISA) Factor. Therefore, the LISA Factor is not calculated for the January 2024 effective period.

Outside City Surcharge

The outside City surcharge, which also does not require Board approval, will be as follows for January 1 through December 31, 2024:

Outside City Surcharge (<i>Attachment 6</i>)	\$0.622
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The outside City surcharge is updated annually. This surcharge is a water service charge for customers with premises of which less than 90 percent of the area is inside the City of Los Angeles. The purpose of the surcharge is to recover the cost of procuring water from MWD for such customers' uses and is calculated as a difference between the average cost of water delivered to the City through the LAA over the previous five years and the cost of MWD Tier II treated water delivered to the City.

BACKGROUND

Estimated expenditures for Water Supply, Water Quality Improvement, and Owens Valley Regulatory costs for the 12-month period commencing January 1, 2024, are used in the calculation of the adjustment factors, as described below:

1. Water Supply Cost Adjustment Factor (See Schedule A and Attachment 1)

Recoverable through the WSCA factor are costs incurred for LAA, purchased water (PW), groundwater (GW), recycled water (RW), water conservation (WC), and any additional source of water supply not described above. The LAA expense includes depreciation expense, interest expense or equivalent, operating and maintenance expense, and property taxes. The PW expense includes the total cost to LADWP of all water delivered to LADWP's system, including, but not limited to, the cost of other services provided by water suppliers. The GW expense includes depreciation expense, interest expense or equivalent, and cost for operation and maintenance for in-City GW related booster pumping. The RW expense includes costs of purchasing recycled water and costs of producing recycled water, including capital expenditures, operating and maintenance expense, costs of stormwater capture and aquifer recharge, and debt service for facilities and systems, including pipelines and pumping and treatment stations, which are part of LADWP's water recycling projects and programs. The WC expense includes costs that are incurred for customer technical assistance, customer financial incentives and the acquisition and installation of devices and systems, including low-flush toilets and low-flow shower heads, and operating and maintenance expense, which are part of those programs or projects designed to reduce the use of water.

2. Water Quality Improvement Adjustment Factor (See Schedule B and Attachment 2)

Recoverable through the WQIA factor are costs incurred to improve water quality throughout the City of Los Angeles. This includes costs that are incurred for capital expenditures, operating and maintenance expense, and debt service associated with construction, equipment, supplies, groundwater treatment for potable use, and facilities and systems, including filtration and water treatment, cement lining, disinfection,

reservoir improvements, monitoring equipment, pipelines, and conduits, which are part of those programs and projects designed to equalize the quality of water throughout the City, to meet State and Federal mandated water quality standards, or to provide security for water supply, storage, and conveyance infrastructure and related facilities.

3. **Owens Valley Regulatory Adjustment Factor** (See Schedule C and Attachment 3)

Recoverable through the OVRA factor are costs that are incurred for capital expenditures, operating and maintenance expense, and debt service associated with infrastructure and related facilities, which are a part of the Owens Lake Dust Mitigation Program, the Lower Owens River Project, and the Owens Lake Master Project.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines 15060 (c)(3). In accordance with this section, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378 (b)(4) states that government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment do not meet that definition. Therefore, the authorization of the estimated expenditures for inclusion in the WSCA, WQIA, and OVRA factors for the 12-month period is not subject to CEQA.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution as to form and legality.

ATTACHMENTS

- Resolution
- Schedules A, B, and C
- Attachments 1 through 6

WHEREAS, Water Rate Ordinance No. 184130 authorizes the recovery of certain qualified Board of Water and Power Commissioners (Board) approved expenditures for the Los Angeles Aqueduct, purchased water, groundwater, recycled water, and water conservation through the Water Supply Cost Adjustment Factor, water quality-related costs through the Water Quality Improvement Adjustment Factor, and Owens Valley regulatory costs through the Owens Valley Regulatory Adjustment Factor; and

WHEREAS, securitization of assets in connection with a Joint Powers Authority will not be feasible by January 1, 2024.

NOW, THEREFORE, BE IT RESOLVED that the Board approves expenditures for the Los Angeles Aqueduct totaling \$92.5 million, purchased water totaling \$205.8 million, groundwater totaling \$83.5 million, recycled water totaling \$20.0 million, and water conservation totaling \$21.9 million for the 12-month period from January 1, 2024, through December 31, 2024, for calculation of the Water Supply Cost Adjustment Factor.

BE IT FURTHER RESOLVED that the Board approves expenditures for water quality-related costs totaling \$345.4 million for the 12-month period from January 1, 2024, through December 31, 2024, for calculation of the Water Quality Improvement Adjustment Factor.

BE IT FURTHER RESOLVED that the Board approves expenditures for Owens Valley regulatory costs totaling \$70.1 million for the 12-month period from January 1, 2024, through December 31, 2024, for calculation of the Owens Valley Regulatory Adjustment Factor.

I HEREBY CERTIFY that the foregoing is a full, true, and correct copy of a resolution adopted by the Board of Water and Power Commissioners of the City of Los Angeles at its meeting held September 12, 2023

Charis L. Mitchell

Secretary

APPROVED AS TO FORM AND LEGALITY
HYDEE FELDSTEIN SOTO, CITY ATTORNEY

AUG 07 2023

BY *Brian E. Stewart*

BRIAN E. STEWART
DEPUTY CITY ATTORNEY

WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES
January 1, 2024 – December 31, 2024

Application of the Water Supply Cost Adjustment Factor recovers costs of the LADWP's water supplies. For this period, the Water System will invest in five unique sources described below. Estimated expenditures relating to the source of water supply include, but are not limited to, the following functional items and/or components of functional items:

LOS ANGELES AQUEDUCT

- HAZ SUBS MGMT PGM-WSO (FI 322-2507) – \$ 572,400
Costs associated with management and handling of hazardous substances as necessary for operations within the Aqueduct system.
- LA AQUED SYS OPER NORTH (FI 302-2001) – \$ 11,187,700
Costs associated with operation of facilities in the Aqueduct Northern District.
- LA AQUED SYS OPER SOUTH (FI 302-2005) – \$ 4,210,700
Costs associated with operation of facilities in the Aqueduct Southern District.
- LA AQUED SYS MAINT SOUTH (FI 302-2015) – \$ 5,846,800
Maintenance costs of Aqueduct facilities in the Southern District.
- LA AQUED SYS MAINT NORTH (FI 302-2025) – \$ 18,352,300
Maintenance costs of Aqueduct facilities in the Northern District.
- RESOURCES MGMT O&M (FI 302-2035) – \$ 9,760,300
Non-capital costs associated with compliance with regulations and agreements regarding water and land management in the Eastern Sierras.
- GRNDWTR PUMP O&M NORTH (FI 311-2009) – \$ 3,391,400
Operating and maintenance costs associated with pumping groundwater in the Owens Valley.
- EAST SIERRA ENVIRONMENTAL (FI 401-3005) – \$ 3,436,000
Non-capital costs of environmental work associated with the LA Aqueduct.
- SOUTHERN DIST ENG & OPER (FI 409-2023) – \$ 1,418,900
Engineering and operational support and management costs for facilities and operations in the Aqueduct Southern District.

Total Los Angeles Aqueduct O&M Expenses \$ 58,176,500

Depreciation Expense Attributed to Los Angeles Aqueduct Expenditures \$ 14,464,663

WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES
January 1, 2024 – December 31, 2024

Property Tax	\$15,397,646
Interest Expense or Equivalent	\$16,139,003
Revenue Generated by Los Angeles Aqueduct Facilities	(\$11,701,799)
TOTAL ESTIMATED LOS ANGELES AQUEDUCT PRODUCTION EXPENSES	<u>\$ 92,476,013</u>

PURCHASED WATER

PURCHASED WATER (FI 301-2224) – \$ 205,783,500

TOTAL ESTIMATED PURCHASED WATER EXPENSE **\$ 205,783,500**

GROUNDWATER

- GROUNDWATER O&M (FI 405-3010) – \$ 2,230,900
Operating and maintenance costs associated with groundwater, including the ULARA Watermaster support, groundwater safe yield studies, and groundwater rights and licenses.
- LA GNDWTR PUMP & SRCE FAC (FI 311-2200) – \$ 18,150,500
Costs, including power for pumping groundwater (other than in Owens Valley).
- PUMP BOOSTER O&M (FI 312-2240) – \$ 36,060,600
Operating and maintenance costs associated with booster pumping stations, including power costs.

Total In-City Groundwater and Related Booster Pumping O&M Expenses	\$ 56,442,000
Depreciation Expense Attributed to Groundwater Expenditures	\$ 11,544,696
Interest Expense or Equivalent	\$ 15,470,861
TOTAL ESTIMATED IN-CITY GROUNDWATER AND RELATED BOOSTER PUMPING EXPENSES	<u>\$ 83,457,557</u>

WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES
January 1, 2024 – December 31, 2024

RECYCLED WATER

- WATER RECYCLING O&M (FI 305-2000) – \$ 10,853,500
Operating and maintenance costs of water recycling treatment facilities and pumping stations, including water quality sampling and analysis, purchase of recycled water, and reporting as required for regulatory compliance.
- WATERSHED MANAGEMENT O&M (FI 302-2037) – \$ 1,242,700
Operating and maintenance costs of stormwater capture and groundwater recharge facilities and reporting as required for regulatory compliance.

Total Recycled Water O&M Expenses	\$ 12,096,200
Interest Expense or Equivalent	\$ 7,938,257
TOTAL ESTIMATED RECYCLED WATER EXPENSES	<u>\$ 20,034,457</u>

WATER CONSERVATION

WATER CONSERVATION OPERATING AND MAINTENANCE EXPENSES

- WATER CONSERVATION O&M (FI 305-1000) – \$ 13,957,900
Costs associated with O&M programs and projects not categorized as capital, including direct installation of water conservation devices, outreach, awareness and education programs, and development of conservation policy.

Total Estimated Water Conservation O&M Expenses (1)	\$ 13,957,900
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WATER CONSERVATION CAPITAL PROJECT EXPENDITURES

- WATER CONSERVATION - WATER FUNDED (FI 28204) – \$ 18,355,700
Costs associated with capital programs and projects, including residential and commercial conservation rebate programs, Water System facilities retrofits, turf replacement program, and technical assistance program.

Total Water Conservation Capital Expenditures	\$ 18,355,700
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WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES
January 1, 2024 – December 31, 2024

Total Capital Water Conservation to be Cash Funded @ 30% Per Ordinance No. 184130 Section 3.F.7. (2)	\$ 5,506,710
Debt Service Attributed to Water Conservation Expenditures (3)	\$ 2,463,716
TOTAL ESTIMATED WATER CONSERVATION EXPENSES [(1)+(2)+(3)]	<u>\$ 21,928,326</u>
TOTAL ESTIMATED WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES	<u>\$ 423,679,853</u>

WATER QUALITY IMPROVEMENT ADJUSTMENT FACTOR EXPENDITURES**January 1, 2024 – December 31, 2024**

The Water System's Water Quality Improvement Program has three distinct elements as provided for in the Water Quality Improvement Adjustment Factor of the Water Rate Ordinance.

The first element comprises projects implemented to equalize the quality of water throughout the city, including facilities installed to equalize the quality of water between covered and uncovered reservoirs, pipeline rehabilitation projects, and security enhancements. The second element comprises projects, including those for security, that are implemented to meet water quality regulations set by federal or state agencies with the authority to regulate water quality. The third element comprises the operations and maintenance of the Water System as they relate to water quality, including security for water supply, storage, and conveyance infrastructure.

WATER QUALITY IMPROVEMENT OPERATING AND MAINTENANCE EXPENSES

Estimated expenditures relating to water quality operating and maintenance costs include, but are not limited to, the following functional items and/or components of functional items:

- **DISTRIBUTION TREATMENT OPERATIONS (FI 321-2520) – \$ 32,917,400**
Costs of continuous operations to protect public health by maintaining proper disinfection of water in the water distribution system, reservoirs, and aqueduct facilities, including monitoring, dosage adjustments, handling of chemicals, and emergency response.
- **WATER QUALITY REGULATORY (FI 321-2530) – \$ 11,002,900**
Costs for regulatory compliance monitoring and liaison activities, representation of LADWP and City interests to state and federal regulatory bodies, management of water quality information between LADWP and other City agencies and customers, and management of the backflow prevention program.
- **FILTER PLANT OPERATIONS (FI 321-2540) – \$ 30,004,500**
O&M costs of the Los Angeles Aqueduct Filtration Plant.
- **SYSTEM FLUSHING (FI 323-3150) – \$ 1,418,300**
Costs to flush dead-end water mains and other mains as needed to improve distribution system water quality, remove sediments, and increase disinfectant residuals.
- **DISTRIBUTION RESERVOIR OPERATIONS (FI 335-2200) – \$ 41,324,400**
Operating and maintenance costs of over 100 distribution system tanks and reservoirs to ensure continuous availability of water supply and protect water quality.

WATER QUALITY IMPROVEMENT ADJUSTMENT FACTOR EXPENDITURES
January 1, 2024 – December 31, 2024

WATER QUALITY AND OPERATIONS COMMUNITY OUTREACH PROGRAM
(FI 401-0602) – \$ 253,900

Costs of general public and community outreach efforts and regulatory-mandated publications and notifications.

- **WATER QUALITY CONTROL (FI 321-2500) – \$ 21,863,400**
Costs for water sampling, analysis, and reporting by the Water Quality Laboratory to assure regulatory compliance and to detect possible tampering or contamination issues.
- **WATER QUALITY GROUNDWATER O&M (FI 321-2585) – \$ 24,923,000**
Costs associated with groundwater modeling of various basins to track contamination and hydrogeological investigations.
- **WELL MONITORING O&M - WQ (FI 409-3030) – \$419,000**
Costs associated with wellfield monitoring operations and maintenance, including collection and analysis of water quality samples to monitor remediation, cleanup and removal of groundwater contamination.
- **WATER QUALITY DIVISION QUALITY ASSURANCE (FI 323-2510) – \$ 5,501,700**
Costs associated with researching, developing, evaluating, and recommending strategies to improve source and distributed water quality, meet drinking water regulatory compliance, and improve operation and treatment processes in reducing and removing water contaminants.

Total Estimated Water Quality O&M Expenses (1) \$ 169,628,500

Estimated expenditures relating to equalizing water quality and meeting water quality regulations include, but are not limited to, the following item:

WATER QUALITY IMPROVEMENT CAPITAL PROJECT EXPENDITURES

- **WQIP TRUNKLINE IMPROVEMENTS (FI 23222) – \$ 14,155,200**
Costs to construct new facilities and/or remove existing facilities from the water system to bring reservoirs into compliance with Long Term 2 Enhanced Surface Water Treatment Rule and the Stage 2 Disinfection Byproducts Rule (California Department of Public Health).

WATER QUALITY IMPROVEMENT ADJUSTMENT FACTOR EXPENDITURES
January 1, 2024 – December 31, 2024

- **CHLORINATION STATION INSTALLATIONS (FI 24130) – \$ 26,939,000**
Install chloramination and ammoniation stations, and research, design and implement the conversion of existing chlorination stations to chloramination stations to ensure regulatory compliance.
- **WATER TREATMENT IMPROVEMENTS (FI 24310) – \$ 33,675,400**
Treatment system upgrades or expansions to ensure regulatory compliance and enhance water quality, including design and installation of fluoridation stations. Minor additions and betterments to existing reservoirs and tanks to protect the quality of stored water.
- **GROUNDWATER REMEDIATION & CLEANUP (FI 24316) – \$ 52,451,700**
Remediate & clean up contaminated groundwater to meet water quality standards, protect public health and to prevent further loss of local resource.
- **METER REPLACEMENT PROGRAM (FI 27215) – \$ 22,608,000**
Replace existing water meters to eliminate the presence of lead.
- **WQIP RESERVOIR IMPROVEMENTS (FI 29130) – \$ 8,653,500**
Activities associated with removing open reservoirs from service to ensure regulatory compliance, including the installation of tanks to replace storage capacity, covers for open reservoirs, water transmission pipelines, disinfection and contaminant reduction facilities, and other necessary improvements. Also includes facilities to replace system reliability lost as a result of regulatory compliance.
- **WATER REUSE (FI 24305) – \$ 6,560,000**
Activities associated with conversion of reclamation plants to advanced water treatment facilities to produce advanced treated recycled water for replenishment of groundwater basins to provide potable reuse water.
- **WATER SYSTEM SECURITY IMPROVEMENTS (FI 29350) – \$ 307,600**
Activities associated with security measures for additions and betterments work at existing facilities.
- **WATER SUPPLY OPERATIONS FACILITIES (FI 29200) – \$ 175,700**
Activities to improve water operations facilities, including additions and betterments associated with a water quality lab.

WATER QUALITY IMPROVEMENT ADJUSTMENT FACTOR EXPENDITURES
January 1, 2024 – December 31, 2024

- TOOLS AND EQUIPMENT (FI 29340) – \$ 750,000
Costs for safe, efficient, and reliable water quality-related tools and equipment for supporting productivity goals.

Total Water Quality Improvement Capital Expenditures	\$ 166,276,100
Total Water Quality Improvement Capital to be Cash Funded @ 30% Per Ordinance No. 184130 Section 3.G.4. (2)	\$ 49,882,830
Debt Service Attributed to Water Quality Improvement Expenditures (3)	\$ 125,895,250
TOTAL ESTIMATED WATER QUALITY IMPROVEMENT ADJUSTMENT FACTOR EXPENDITURES [(1)+(2)+(3)]	<u>\$ 345,406,580</u>

OWENS VALLEY REGULATORY ADJUSTMENT FACTOR EXPENDITURES

January 1, 2024 – December 31, 2024

Application of the Owens Valley Regulatory Adjustment Factor recovers expense for the Owens Lake Dust Mitigation Program, the Lower Owens River Project, and the Owens Lake Master Project. Estimated expenditures to be recovered include, but are not limited to, the following functional items and/or components of functional items:

OWENS VALLEY REGULATORY OPERATING AND MAINTENANCE EXPENSES

- LOWER OWENS RIVER O&M (FI 302-2002) - \$ 3,751,500
Operating and maintenance costs for activities associated with the Lower Owens River.
- OWENS LAKE O&M (FI 401-3006) – \$ 41,674,900
Operating and maintenance costs for activities associated with Owens Lake dust mitigation.

Total Estimated Owens Valley Regulatory O&M Expenses (1)	\$ 45,426,400
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OWENS VALLEY REGULATORY CAPITAL PROJECT EXPENDITURES

- OWENS LAKE MASTER PROJECT (FI 21146) – \$ 1,367,000
- OWENS VALLEY DUST MITIGATION (FI 22402) – \$ 24,563,000
- SUPPLEMENTAL DUST MITIGATION (FI 22403) - \$5,360,000

Total Owens Valley Regulatory Capital Expenditures	\$ 31,290,000
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Total Owens Valley Regulatory Capital to be Cash Funded @ 30% Per Ordinance No. 184130 Section 3.K.4. (2)	\$ 9,387,000
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Debt Service Attributed to Owens Valley Regulatory Expenditures (3)	\$ 15,296,402
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TOTAL ESTIMATED OWENS VALLEY REGULATORY ADJUSTMENT FACTOR EXPENDITURES

[(1)+(2)+(3)]	<u>\$ 70,109,802</u>
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**WATER SUPPLY COST ADJUSTMENT FACTOR
FOR JANUARY THROUGH JUNE 2024**

Ord. Ref.

<u>Estimated Expenditures for Each of the Water Supply Sources for the 12-month Period commencing January 1, 2024</u>			<u>Source</u>
Sec.3.F.2.(a)	Los Angeles Aqueduct	\$92,476,013	Schedule A
Sec.3.F.2.(b)	Purchased Water	\$205,783,500	Schedule A
Sec.3.F.2.(c)	Groundwater	\$83,457,557	Schedule A
Sec.3.F.2.(d)	Recycled Water	\$20,034,457	Schedule A
Sec.3.F.2.(e)	Water Conservation	\$21,928,326 *	Schedule A
	Adjustment Account Ending Balance as of June 30, 2023	\$116,266,438	
Sec.3.F.3.	<u>Estimated Production Units (in HCF) of Water Supply Sources for the 12-month Period commencing January 1, 2024</u>		
	Los Angeles Aqueduct	85,224,912	
	Purchased Water	57,768,288	
	Groundwater	36,023,720	
	Recycled Water	5,625,061	
	Water Conservation (Total Sales excluding Schedule D)	181,346,984	
	Over/Under Balance (Total Sales excluding Schedule D)	181,346,984	
	<u>Unit Price for Each of the Water Supply Sources (\$/HCF)</u>		
Sec.3.F.3.(a)	Los Angeles Aqueduct	\$ 1.085	
Sec.3.F.3.(b)	Purchased Water	\$ 3.562	
Sec.3.F.3.(c)	Groundwater	\$ 2.317	
Sec.3.F.3.(d)	Recycled Water	\$ 3.562	
Sec.3.F.3.(f)	Water Conservation (Total Sales excluding Schedule D)	\$ 0.121 **	
Sec.3.F.3.(g)	Over/Under Balance (Total Sales excluding Schedule D)	\$ 0.641	
Sec.3.F.4.	<u>Sources of Supply starting from Least Expensive to Most Expensive (S1 to S4)</u>		
	S1 = LA Aqueduct	46.157%	\$ 1.085
	S2 = Groundwater	19.510%	\$ 2.317
	S3 = Recycled Water	3.046%	\$ 3.562 ***
	S4 = Purchased Water	31.287%	\$ 3.562
Sec.3.F.5.	<u>Customer Usage (Sales) by Tier, excluding Schedule D</u>		
	Tier 1	74.163%	134,492,241
	Tier 2	16.601%	30,105,213 ***
	Tier 3	5.997%	10,874,976
	Tier 4	3.239%	5,874,554
Sec.3.F.5.	<u>Water Supply Cost Adjustment Factor for each Tier before Water Conservation and Over/Under Balance</u>		
	Tier 1 = (46.157%/74.163%*1.085) + (19.510%/74.163%*2.317) + (3.046%/74.163%*3.562) + (5.450%/74.163%*3.562)	\$	1.693
	Tier 2 = (16.601%/16.601%*3.562)	\$	3.562
	Tier 3 = (5.997%/5.997%*3.562)	\$	3.562
	Tier 4 = (3.239%/3.239%*3.562)	\$	3.562
Sec.3.F.5.	<u>Water Supply Cost Adjustment Factor for Each Tier</u>		
	Tier 1		\$2.455
	Tier 2		\$4.324
	Tier 3		\$4.324
	Tier 4		\$4.324

* Consistent with the Water System financial plan that assumes no securitization.

** Conservation cost per HCF of water to be sold not conserved.

***Total percentage may not equal sum of parts due to rounding.

**WATER QUALITY IMPROVEMENT ADJUSTMENT FACTOR
FOR JANUARY THROUGH JUNE 2024**

Ord. Ref.	<u>Estimated Expenditures for Each of the Water Quality Cost Types for the 12-month Period commencing January 1, 2024</u>		<u>Source</u>
	Water Quality Capital Expenditures	\$49,882,830	*
	Water Quality Operation and Maintenance (O&M) Expenses	\$169,628,500	Schedule B
	Water Quality Debt Service	\$125,895,250	Schedule B
Sec.3.G.2.(a)	Estimated Water Quality Expenditures Subtotal	\$345,406,580	
Sec.3.G.2.(b)	<u>Adjustment Account Ending Balance as of June 30, 2023</u>	\$36,199,408	
	<u>Estimated Retail Water Sales in HCF for the 12-month Period, Less Schedule D, commencing January 1, 2024</u>		
Sec.3.G.2.(c)		181,346,984	
	Water Quality Improvement Adjustment Factor (WQIAF)	\$2.104	

* Consistent with the Water System financial plan that assumes no securitization.

**OWENS VALLEY REGULATORY ADJUSTMENT FACTOR
FOR JANUARY THROUGH JUNE 2024**

Ord. Ref.

<u>Estimated Expenditures for Each of the Owens Valley Regulatory Cost Types for the 12-month Period commencing January 1, 2024</u>		<u>Source</u>
	Owens Valley Capital Expenditures	\$9,387,000 * Schedule C
	Owens Valley Operation and Maintenance (O&M) Expenses	\$45,426,400
	Owens Valley Debt Service	\$15,296,402
Sec.3.K.2.(a)	Estimated Owens Valley Expenditures Subtotal	<u>\$70,109,802</u>
Sec.3.K.2.(b)	<u>Adjustment Account Ending Balance as of June 30, 2023</u>	\$20,865,648
Sec.3.K.2.(c)	<u>Estimated Retail Water Sales in HCF for the 12-month Period, Less Schedule D, commencing January 1, 2024</u>	181,346,984
	Owens Valley Regulatory Adjustment Factor (OVRAF)	\$0.502

* Consistent with the Water System financial plan that assumes no securitization.

**BASE RATE REVENUE TARGET ADJUSTMENT FACTOR
FOR JANUARY THROUGH DECEMBER 2024**

Ord. Ref.		
Sec.3.H.2.	<u>BRRTAF for Schedule A</u>	
Sec.3.H.3.	BRRTA Account Balance for Schedule A as of June 30, 2023	\$78,062,639
	Estimated Retail Water Sales in HCF for Schedule A for the 12-month Period commencing January 1, 2024	<u>69,525,556</u>
	Base Rate Revenue Target Adjustment Factor _A (BRRTAF _A)	\$1.123
Sec.3.H.2.	<u>BRRTAF for Schedule B</u>	
Sec.3.H.4.	BRRTA Account Balance for Schedule B as of June 30, 2023	\$38,903,658
	Estimated Retail Water Sales in HCF for Schedule B for the 12-month Period commencing January 1, 2024	<u>58,708,172</u>
	Base Rate Revenue Target Adjustment Factor _B (BRRTAF _B)	\$0.663
Sec.3.H.2.	<u>BRRTAF for All Other Rate Schedules (Others)</u>	
Sec.3.H.5.	BRRTA Account Balance for Others as of June 30, 2023	(\$8,304,526)
	Estimated Retail Water Sales in HCF for Others for the 12-month Period commencing January 1, 2024 (Less Schedule D)	<u>53,113,256</u>
	Base Rate Revenue Target Adjustment Factor _{Others} (BRRTAF _{Others})	(\$0.156)

**WATER EXPENSE STABILIZATION ADJUSTMENT FACTOR
FOR JANUARY THROUGH DECEMBER 2024**

Ord. Ref.

Sec.3.S.2.(a)	<u>Adjustment Account Ending Balance as of June 30, 2023</u>	\$3,540,665
Sec.3.S.2.(b)	<u>Estimated Expense for Legal Costs and Settlements for the 12-month Period commencing January 1, 2024</u>	\$3,943,482
Sec.3.S.2.(c)	<u>Estimated Retail Water Sales in HCF for the 12-month Period, Less Schedule D, commencing January 1, 2024</u>	181,346,984
	Water Expense Stabilization Adjustment Factor (WESAF)	\$0.041

**SURCHARGE FOR WATER SERVICE
OUTSIDE THE CITY OF LOS ANGELES
FOR JANUARY THROUGH DECEMBER 2024**

Current cost per acre foot of MWD Tier II treated water delivered to the City	\$1,455.00
Average cost of water per acre foot of water delivered to the City through the Los Angeles Aqueducts for the previous five years 2018-19 to 2022-23	<u>\$1,184.22</u>
Difference per acre foot (A)	<u>\$270.78</u>
Per hundred cubic feet (A / 435.6)	\$0.622
Outside City Surcharge	\$0.622

The previous surcharges for service outside the City of Los Angeles:

January 1 to December 31, 2023	\$0.991
January 2 to December 31, 2022	\$0.744
January 1 to December 31, 2021	\$0.665
January 1 to December 31, 2020	\$0.419
January 1 to December 31, 2019	\$0.000
January 1 to December 31, 2018	\$0.000
January 1 to December 31, 2017	\$0.000
January 1 to December 31, 2016	\$0.441








Commission Office Board Package (2-Step) - L.11 - Resolution No. 024 037 - Estimated Water Supply Cost , Water Quality Improvement and Owens Valley Regulatory Expenditures - Board Meeting September 12, 2023

Final Audit Report

2023-09-28

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