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MAR 14 2023

Los Angeles Department of Water & Power

BOARD LETTER APPROVAL

RESOLUTION NO. 023 164

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- [ ] WATER SYSTEM
- [ ] CORP. SVCS.
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RELEASE DATE: MAR 27 2023

ANN M. SANTILLI
Chief Financial Officer

ANSELMO G. COLLINS
Senior Assistant General Manager
Water System

MARTIN L. ADAMS
General Manager and Chief Engineer

DATE: February 2, 2023

SUBJECT: Estimated Water Supply Cost, Water Quality Improvement, Owens Valley Regulatory, and Water Infrastructure Expenditures for July 1, 2023 Through June 30, 2024

SUMMARY

The attached Resolution approves expenditures for inclusion, for the 12-month period commencing July 1, 2023, in adjustment factors of the Water Rate Ordinance No. 184130 (Ordinance). These include Water Supply Cost Adjustment (WSCA), Water Quality Improvement Adjustment (WQIA), Owens Valley Regulatory Adjustment (OVRA), and Water Infrastructure Adjustment (WIA) factors. These expenditures are used to calculate factors for rate components that recover costs of providing water service to customers.

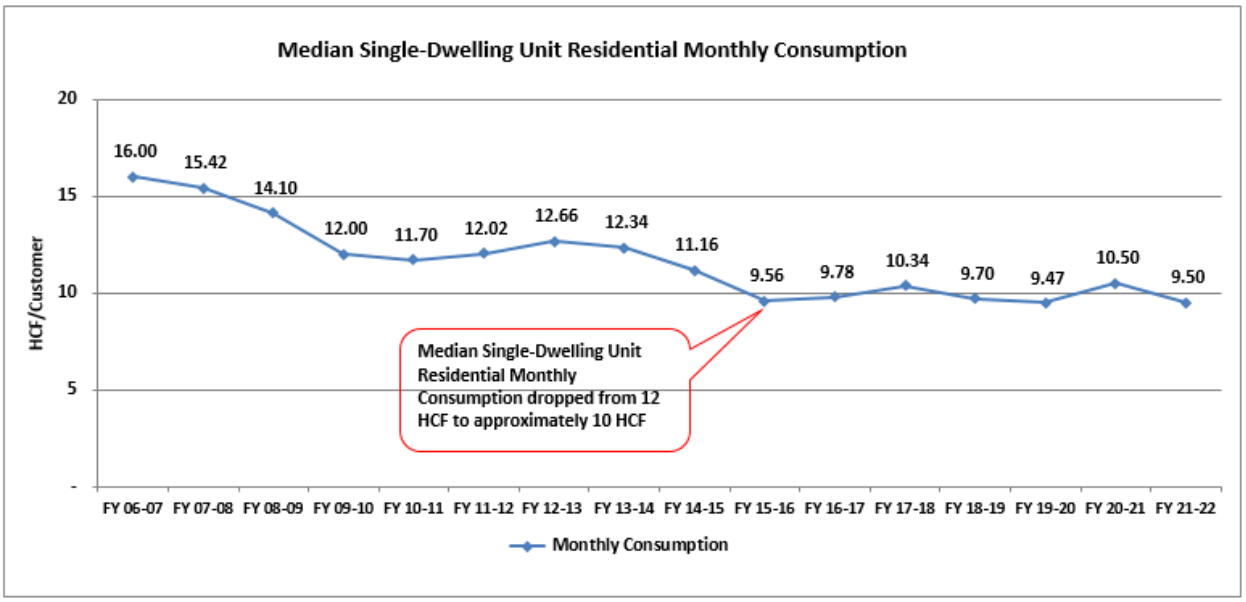
City Council approval is not required.

RECOMMENDATION

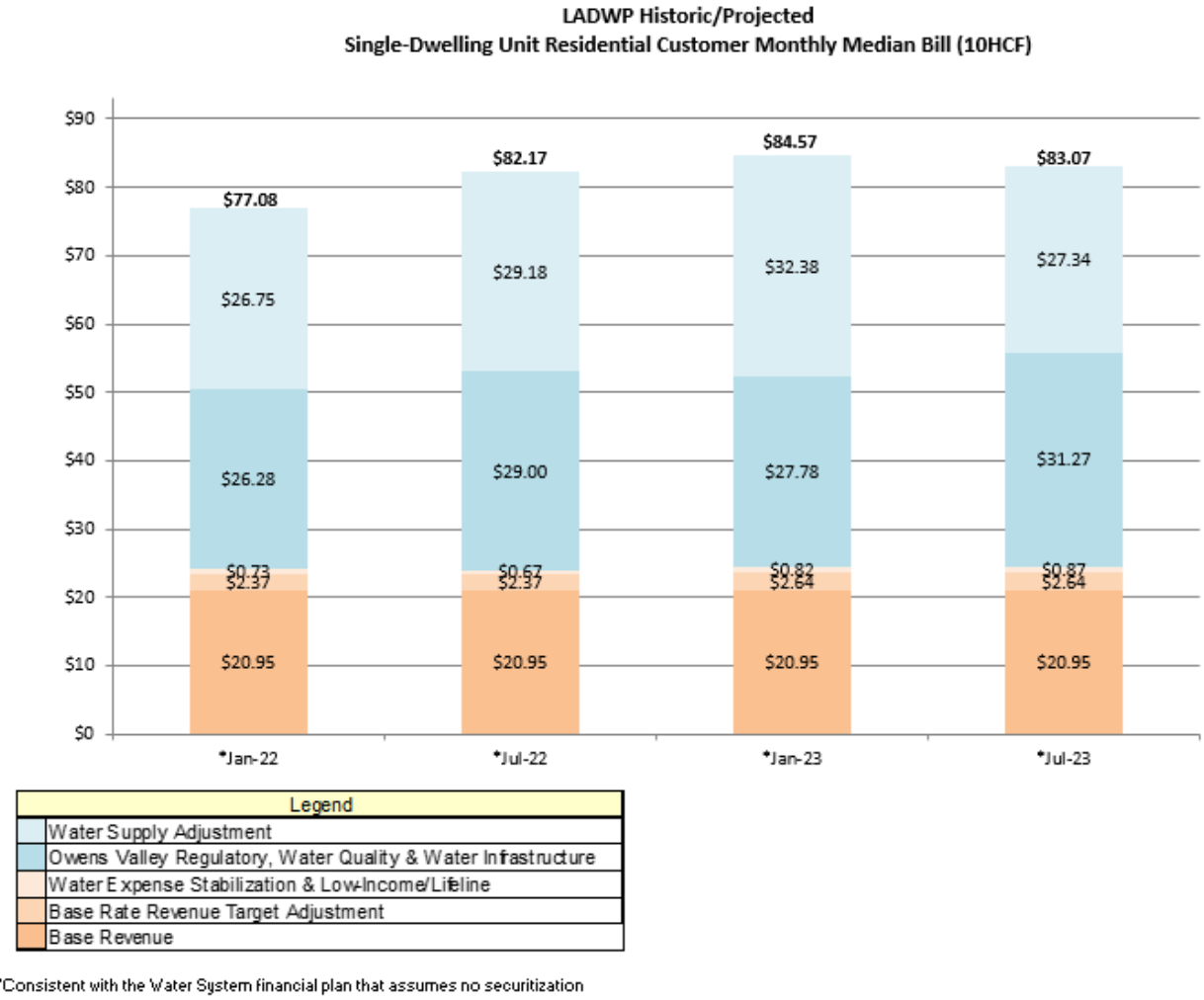
It is recommended that the Board of Water and Power Commissioners (Board) adopt the attached Resolution authorizing the estimated expenditures for inclusion in the WSCA, WQIA, OVRA, and WIA factors for the 12-month period commencing July 1, 2023.

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.



Effective July 1, 2023, the Single-Dwelling Unit Residential customer's water bill (10 WCHCF) will be $83.07. Due to the wetter conditions resulting from the recent storms, forecasted Los Angeles Aqueduct (LAA) supplies have been significantly increased. To meet the demand, the increase in the estimated supply of lower-cost LAA water is expected to significantly reduce purchases of more expensive water sources from the Metropolitan Water District of Southern California.



*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) has decreased by 1.8 percent, or $1.50 per month, from $84.57 to $83.07. The main driver of the decrease is due to lower unit cost for the LAA supply. The decrease in unit cost is due to higher estimated LAA supply, resulting from higher than normal snowpack in recent months. The forecasted supply increase resulted in LAA becoming the least expensive water source.

Board-approved qualified expenditures for the 12-month period commencing July 1, 2023, 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 WIA factor is calculated once per year and takes effect on 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

four factors that require Board approval in this Board Resolution and supporting detail are included in Schedules A, B, C, and D and Attachments 1, 2, 3, and 4.

Factor (in $/HCF)	Proposed Jul-Dec 2023	Approved Jan-Jun 2023	Variance (Decrease)/Increase
Water Supply Cost Adjustment Factor			
Tier 1 - Basic Use	$2.322	$3.144	($0.822)
Tier 2 - Efficient Use	$4.380	$3.612	$0.768
Tier 3 - High Use	$4.380	$3.612	$0.768
Tier 4 - Excessive Use	$6.636	$5.111	$1.525
Water Quality Improvement Adjustment Factor	$1.713	$1.659	$0.054
Owens Valley Regulatory Adjustment Factor	$0.326	$0.295	$0.031
Water Infrastructure Adjustment Factor	$1.088	$0.824	$0.264

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 July 1, 2023, and supporting detail are included in Attachment 5.

Factor (in $/HCF)	Proposed Jul-Dec 2023	Prior Period Jan-Jun 2023	Variance (Decrease)/Increase
Base Rate Revenue Target Adjustment Factor			
Schedule A - Single Dwelling Unit Residential	$0.264	$0.264	$0.000
Schedule B - Multi-Dwelling Unit Residential	$0.296	$0.296	$0.000
Schedule Other - Commercial, Industrial, and Governmental	($0.263)	($0.263)	$0.000
Low-Income Subsidy Adjustment Factor	$0.094	$0.089	$0.005
Water Expense Stabilization Adjustment Factor	($0.007)	($0.007)	$0.000

This letter and Attachment 5 include the Low-Income Subsidy Adjustment (LISA) Factor, which is less than ten cents per billing unit. The revenue collected through the LISA is used to fund our low-income and lifeline subsidies provided to eligible water customers. As has been previously shared with the Board, plaintiffs in Los Angeles Superior Court Case No. 19STCV07272 have alleged that the LISA is illegal. Therefore, in order to comply with a pending court order in that case, it may become necessary for LADWP to stop billing the LISA. This may also result in LADWP no longer being able to provide the water Low-Income Subsidy and Lifeline Customer Subsidy described in the Ordinance, unless other non-department revenue became available to continue the subsidies. If LADWP is no longer able to offer the subsidies, we will communicate directly with the affected customers in advance.

BACKGROUND

Estimated expenditures for Water Supply, Water Quality Improvement, Owens Valley Regulatory, and Water Infrastructure costs for the 12-month period commencing July 1, 2023, 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.

4. **Water Infrastructure Adjustment Factor** (See Schedule D and Attachment 4)

   Recoverable through the WIA factor are costs incurred for capital expenditures and debt service associated with construction, which are associated specifically with infrastructure investments to maintain and improve the reliability of the water distribution system.

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, OVRA, and WIA 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, C, and D
- Attachments 1 through 5

RESOLUTION NO. 023 164

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, Owens Valley regulatory costs through the Owens Valley Regulatory Adjustment Factor, and water infrastructure-related costs through the Water Infrastructure Adjustment Factor; and

WHEREAS, securitization of assets in connection with a Joint Powers Authority will not be feasible by July 1, 2023.

NOW, THEREFORE, BE IT RESOLVED that the Board approves expenditures for the Los Angeles Aqueduct totaling $91.3 million, purchased water totaling $168.5 million, groundwater totaling $80.9 million, recycled water totaling $31.6 million, and water conservation totaling $23.0 million for the 12-month period from July 1, 2023, through June 30, 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 $337.4 million for the 12-month period from July 1, 2023, through June 30, 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 $58.9 million for the 12-month period from July 1, 2023, through June 30, 2024, for calculation of the Owens Valley Regulatory Adjustment Factor.

BE IT FURTHER RESOLVED that the Board approves expenditures for water infrastructure-related costs totaling $180.0 million for the 12-month period from July 1, 2023, through June 30, 2024, for calculation of the Water Infrastructure 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 MAR 14 2023

Estela L. Mitchell

Secretary

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

FEB 08 2023

BY Brian E. Stewart

BRIAN E. STEWART
DEPUTY CITY ATTORNEY

WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES
July 1, 2023 – June 30, 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) – $ 1,119,300
  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) – $ 11,264,300
  Costs associated with operation of facilities in the Aqueduct Northern District.

- LA AQUED SYS OPER SOUTH (FI 302-2005) – $ 4,187,500
  Costs associated with operation of facilities in the Aqueduct Southern District.

- LA AQUED SYS MAINT SOUTH (FI 302-2015) – $ 5,862,300
  Maintenance costs of Aqueduct facilities in the Southern District.

- LA AQUED SYS MAINT NORTH (FI 302-2025) – $ 19,123,200
  Maintenance costs of Aqueduct facilities in the Northern District.

- RESOURCES MGMT O&M (FI 302-2035) – $ 9,701,300
  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) – $ 3,380,100
  Operating and maintenance costs associated with pumping groundwater in the Owens Valley.

- EAST SIERRA ENVIRONMENTAL (FI 401-3005) – $ 3,342,800
  Non-capital costs of environmental work associated with the LA Aqueduct.

- SOUTHERN DIST ENG & OPER (FI 409-2023) – $ 1,396,300
  Engineering and operational support and management costs for facilities and operations in the Aqueduct Southern District.

Total Los Angeles Aqueduct O&M Expenses	$ 59,377,100
Depreciation Expense Attributed to Los Angeles Aqueduct Expenditures	$ 14,310,974

WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES
July 1, 2023 – June 30, 2024

Property Tax	$12,413,602
Interest Expense or Equivalent	$16,150,841
Revenue Generated by Los Angeles Aqueduct Facilities	($10,973,369)
TOTAL ESTIMATED LOS ANGELES AQUEDUCT PRODUCTION EXPENSES	**$ 91,279,148**

PURCHASED WATER

PURCHASED WATER (FI 301-2224) – $ 168,479,200

TOTAL ESTIMATED PURCHASED WATER EXPENSE	**$ 168,479,200**

GROUNDWATER

- GROUNDWATER O&M (FI 405-3010) – $ 2,058,600
  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) – $ 16,657,500
  Costs, including power for pumping groundwater (other than in Owens Valley).

- PUMP BOOSTER O&M (FI 312-2240) – $ 35,259,200
  Operating and maintenance costs associated with booster pumping stations, including power costs.

Total In-City Groundwater and Related Booster Pumping O&M Expenses	$ 53,975,300
Depreciation Expense Attributed to Groundwater Expenditures	$ 11,514,322
Interest Expense or Equivalent	$ 15,373,495
TOTAL ESTIMATED IN-CITY GROUNDWATER AND RELATED BOOSTER PUMPING EXPENSES	**$ 80,863,117**

WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES
July 1, 2023 – June 30, 2024

RECYCLED WATER

- WATER RECYCLING O&M (FI 305-2000) – $ 22,382,900
  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) – $ 1,230,400
  Operating and maintenance costs of stormwater capture and groundwater recharge facilities and reporting as required for regulatory compliance.

Total Recycled Water O&M Expenses	$ 23,613,300
Interest Expense or Equivalent	$ 8,008,724
TOTAL ESTIMATED RECYCLED WATER EXPENSES	**$ 31,622,024**

WATER CONSERVATION

WATER CONSERVATION OPERATING AND MAINTENANCE EXPENSES

- WATER CONSERVATION O&M (FI 305-1000) – $ 15,024,900
  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)	$ 15,024,900

WATER CONSERVATION CAPITAL PROJECT EXPENDITURES

- WATER CONSERVATION - WATER FUNDED (FI 28204) – $ 18,091,100
  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	$ 18,091,100

WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES
July 1, 2023 – June 30, 2024

Total Capital Water Conservation to be Cash Funded @ 30% Per Ordinance No. 184130 Section 3.F.7. (2)	$ 5,427,330
Debt Service Attributed to Water Conservation Expenditures (3)	$ 2,550,855
TOTAL ESTIMATED WATER CONSERVATION EXPENSES [(1)+(2)+(3)]	**$ 23,003,085**
TOTAL ESTIMATED WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES	**$ 395,246,574**

WATER QUALITY IMPROVEMENT ADJUSTMENT FACTOR EXPENDITURES
July 1, 2023 – June 30, 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) – $ 30,849,300
  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) – $ 11,222,200
  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) – $ 28,154,200
  O&M costs of the Los Angeles Aqueduct Filtration Plant.

- SYSTEM FLUSHING (FI 323-3150) – $ 1,465,500
  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) – $ 39,407,500
  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
July 1, 2023 – June 30, 2024

WATER QUALITY AND OPERATIONS COMMUNITY OUTREACH PROGRAM (FI 401-0602) – $ 259,200
Costs of general public and community outreach efforts and regulatory-mandated publications and notifications.

- WATER QUALITY CONTROL (FI 321-2500) – $ 20,124,300
  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) – $ 25,849,300
  Costs associated with groundwater modeling of various basins to track contamination and hydrogeological investigations.

Total Estimated Water Quality O&M Expenses (1) $ 157,331,500

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) – $ 23,212,200
  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).

- CHLORINATION STATION INSTALLATIONS (FI 24130) – $ 26,485,300
  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) – $ 40,345,200
  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.

WATER QUALITY IMPROVEMENT ADJUSTMENT FACTOR EXPENDITURES
July 1, 2023 – June 30, 2024

- GROUNDWATER REMEDIATION & CLEANUP (FI 24316) – $ 73,382,500
  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) – $ 21,028,400
  Replace existing water meters to eliminate the presence of lead.

- WQIP RESERVOIR IMPROVEMENTS (FI 29130) – $ 15,262,300
  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) – $ 7,996,000
  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.

Total Water Quality Improvement Capital Expenditures	$ 207,711,900
Total Water Quality Improvement Capital to be Cash Funded @ 30% Per Ordinance No. 184130 Section 3.G.4. (2)	$ 62,313,570
Debt Service Attributed to Water Quality Improvement Expenditures (3)	$ 117,785,151
TOTAL ESTIMATED WATER QUALITY IMPROVEMENT ADJUSTMENT FACTOR EXPENDITURES [(1)+(2)+(3)]	**$ 337,430,221**

OWENS VALLEY REGULATORY ADJUSTMENT FACTOR EXPENDITURES
July 1, 2023 – June 30, 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) - $ 3,689,100
  Operating and maintenance costs for activities associated with the Lower Owens River.

- OWENS LAKE O&M (FI 401-3006) – $ 29,508,400
  Operating and maintenance costs for activities associated with Owens Lake dust mitigation.

Total Estimated Owens Valley Regulatory O&M Expenses (1)	$ 33,197,500

OWENS VALLEY REGULATORY CAPITAL PROJECT EXPENDITURES

- OWENS LAKE MASTER PROJECT (FI 21146) – $ 4,964,000
- OWENS VALLEY DUST MITIGATION (FI 22402) – $ 20,737,400
- SUPPLEMENTAL DUST MITIGATION (FI 22403) - $10,686,000

Total Owens Valley Regulatory Capital Expenditures	$ 36,387,400
Total Owens Valley Regulatory Capital to be Cash Funded @ 30% Per Ordinance No. 184130 Section 3.K.4. (2)	$ 10,916,220
Debt Service Attributed to Owens Valley Regulatory Expenditures (3)	$ 14,746,486
TOTAL ESTIMATED OWENS VALLEY REGULATORY ADJUSTMENT FACTOR EXPENDITURES [(1)+(2)+(3)]	**$ 58,860,206**

WATER INFRASTRUCTURE ADJUSTMENT FACTOR EXPENDITURES
July 1, 2023 – June 30, 2024

Application of the Water Infrastructure Adjustment Factor recovers costs for the capital refurbishment and replacement of major Water System facilities. Specific projects are identified through the Asset Management process based primarily on condition, operational risk and resiliency, and customer service goals. Most projects are either large multi-year projects, such as trunk line replacement, or part of an ongoing program, such as the mainline replacement program. The Water Infrastructure Adjustment Factor is calculated annually to coincide with annual budgeting and Capital Improvement Program planning. Estimated expenditures to be recovered include, but are not limited to, the following functional items and/or components of functional items:

WATER INFRASTRUCTURE CAPITAL PROJECT EXPENDITURES

- PUMP STATIONS (FI 232-20) - $ 20,340,600
  Costs of capital improvements to pumping stations, including, but not limited to, structures, mechanical and electrical equipment, piping connections, control systems, and site improvements, including for security.

- REGULATOR STATIONS (FI 241-50) - $ 8,482,500
  Costs of capital improvements to pressure regulating stations, including, but not limited to, structures, mechanical and electrical equipment, piping connections, control systems, and site improvements, including for security and, where appropriate, for street reconstruction.

- TRUNK LINE & MAJOR SYSTEM CONNECTIONS (FI 262-20) - $ 66,574,600
  Costs of capital investments in trunk lines and major system connections, including new facilities, replacements, or major refurbishments necessary for system reliability.

- INFRASTRUCTURE RESERVOIR IMPROVEMENTS (FI 291-40) - $ 58,390,800
  Costs of capital investments in tanks and reservoirs, including new facilities, replacements, or major refurbishments necessary for system reliability.

- GRIFFITH PARK WATER DISTRIBUTION SYSTEM (FI 293-28) - $ 762,850
  Costs of capital investments in LADWP facilities to maintain system reliability.

- DISTRIBUTION MAINS (FI 263-31) - $ 154,169,200
  Costs of capital investments in distribution mainlines, including new facilities, replacements, or major refurbishments necessary for system reliability, excluding any reimbursements by others.

WATER INFRASTRUCTURE ADJUSTMENT FACTOR EXPENDITURES
July 1, 2023 – June 30, 2024

- SRVCS, METERS & HYDRANTS (FI 272-10) - $ 46,061,900
  Costs of capital investments in meters and hydrants, including new facilities, replacements, or major refurbishments necessary for system reliability, excluding any reimbursements by others.

- SEISMIC IMPROVEMENT (FI 232-90) – $ 7,431,750
  Costs of capital investments in facilities specifically related to seismic reliability and resilience.

- WATER SYSTEM INFRASTRUCTURE SUPPORT (FI 282-05) – $ 1,176,100
  Costs of capital investments in facilities needed to support system reliability activities for the distribution system.

Total Estimated Water Infrastructure Capital Expenditures	$ 363,390,300
ESTIMATED WATER INFRASTRUCTURE ADJUSTMENT FACTOR EXPENDITURES (38% CASH FUNDING OF CAPITAL EXPENDITURES) (1)	$ 138,088,314
DEBT SERVICE ATTRIBUTED TO WATER INFRASTRUCTURE EXPENDITURES (2)	$ 41,959,261
TOTAL ESTIMATED WATER INFRASTRUCTURE ADJUSTMENT FACTOR EXPENDITURES [(1) + (2)]	**$ 180,047,575**

WATER SUPPLY COST ADJUSTMENT FACTOR
FOR JULY THROUGH DECEMBER 2023

Ord. Ref.					
	Estimated Expenditures for Each of the Water Supply Sources for the 12-month Period commencing July 1, 2023				Source
Sec.3.F.2.(a)	Los Angeles Aqueduct		$91,279,148		Schedule A
Sec.3.F.2.(b)	Purchased Water		$168,479,200		Schedule A
Sec.3.F.2.(c)	Groundwater		$80,863,117		Schedule A
Sec.3.F.2.(d)	Recycled Water		$31,622,024		Schedule A
Sec.3.F.2.(e)	Water Conservation		$23,003,085	*	Schedule A
	Adjustment Account Ending Balance as of November 30, 2022		$158,598,602		
Sec.3.F.3.	Estimated Production Units (in HCF) of Water Supply Sources for the 12-month Period commencing July 1, 2023				
	Los Angeles Aqueduct		104,932,223		
	Purchased Water		49,430,473		
	Groundwater		30,805,750		
	Recycled Water		5,195,790		
	Water Conservation (Total Sales excluding Schedule D)		186,967,528		
	Over/Under Balance (Total Sales excluding Schedule D)		186,967,528		
	Unit Price for Each of the Water Supply Sources ($/HCF)				
Sec.3.F.3.(a)	Los Angeles Aqueduct		$ 0.870		
Sec.3.F.3.(b)	Purchased Water		$ 3.408		
Sec.3.F.3.(c)	Groundwater		$ 2.625		
Sec.3.F.3.(d)	Recycled Water		$ 6.086		
Sec.3.F.3.(f)	Water Conservation (Total Sales excluding Schedule D)		$ 0.123	**	
Sec.3.F.3.(g)	Over/Under Balance (Total Sales excluding Schedule D)		$ 0.848		
Sec.3.F.4.	Sources of Supply starting from Least Expensive to Most Expensive (S1 to S4)				
	S1 = LA Aqueduct	55.122%	$ 0.870		
	S2 = Groundwater	16.183%	$ 2.625		
	S3 = Purchased Water	25.966%	$ 3.408	***	
	S4 = Recycled Water	2.729%	$ 6.086		
Sec.3.F.5.	Customer Usage (Sales) by Tier, excluding Schedule D				
	Tier 1	74.163%	138,660,602		
	Tier 2	16.601%	31,038,273	***	
	Tier 3	5.997%	11,212,027		
	Tier 4	3.239%	6,056,626		
Sec.3.F.5.	Water Supply Cost Adjustment Factor for each Tier before Water Conservation and Over/Under Balance				
	Tier 1 = (55.122%/74.163%*0.870) + (16.183%/74.163%*2.625) + (2.859%/74.163%*3.408)		$ 1.351		
	Tier 2 = (16.601%/16.601%*3.408)		$ 3.408		
	Tier 3 = (5.997%/5.997%*3.408)		$ 3.408		
	Tier 4 = (0.510%/3.239%*3.408) + (2.729%/3.239%*6.086)		$ 5.665		
Sec.3.F.5.	Water Supply Cost Adjustment Factor for Each Tier				
	Tier 1		**$2.322**		
	Tier 2		**$4.380**		
	Tier 3		**$4.380**		
	Tier 4		**$6.636**		

* 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 JULY THROUGH DECEMBER 2023

Ord. Ref.	Estimated Expenditures for Each of the Water Quality Cost Types for the 12-month Period commencing July 1, 2023		Source
	Water Quality Capital Expenditures	$62,313,570	*
	Water Quality Operation and Maintenance (O&M) Expenses	$157,331,500	Schedule B
	Water Quality Debt Service	$117,785,151	Schedule B
Sec.3.G.2.(a)	Estimated Water Quality Expenditures Subtotal	$337,430,221	
Sec.3.G.2.(b)	Adjustment Account Ending Balance as of November 30, 2022	($17,201,567)	
Sec.3.G.2.(c)	Estimated Retail Water Sales in HCF for the 12-month Period, Less Schedule D, commencing July 1, 2023	*186,967,528*	
	Water Quality Improvement Adjustment Factor (WQIAF)	**$1.713**	

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

ATTACHMENT 3

OWENS VALLEY REGULATORY ADJUSTMENT FACTOR
FOR JULY THROUGH DECEMBER 2023

Ord. Ref.	Estimated Expenditures for Each of the Owens Valley Regulatory Cost Types for the 12-month Period commencing July 1, 2023		Source
	Owens Valley Capital Expenditures	$10,916,220	* Schedule C
	Owens Valley Operation and Maintenance (O&M) Expenses	$33,197,500	
	Owens Valley Debt Service	$14,746,486	
Sec.3.K.2.(a)	Estimated Owens Valley Expenditures Subtotal	$58,860,206	
Sec.3.K.2.(b)	Adjustment Account Ending Balance as of November 30, 2022	$2,115,321	
Sec.3.K.2.(c)	Estimated Retail Water Sales in HCF for the 12-month Period, Less Schedule D, commencing July 1, 2023	*186,967,528*	
	Owens Valley Regulatory Adjustment Factor (OVRAF)	**$0.326**	

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

ATTACHMENT 4

WATER INFRASTRUCTURE ADJUSTMENT FACTOR
FOR JULY THROUGH DECEMBER 2023

Ord. Ref.			
	Estimated Expenditures for Each of the Water Infrastructure Cost Types for the 12-month Period commencing July 1, 2023		Source
	Water Infrastructure Capital Expenditures	$138,088,314	Schedule D
	Water Infrastructure Debt Service	$41,959,261	
Sec.3.R.2.(a)	Total Estimated Water Infrastructure Expenditures	$180,047,575	
Sec.3.R.2.(b)	Adjustment Account Ending Balance as of November 30, 2022	$23,390,574	
Sec.3.R.2.(c)	Estimated Retail Water Sales in HCF for the 12-month Period, Less Schedule D, commencing July 1, 2023	*186,967,528*	
	Water Infrastructure Adjustment Factor (WIAF)	**$1.088**	

ATTACHMENT 5

LOW-INCOME SUBSIDY ADJUSTMENT FACTOR
FOR JULY THROUGH DECEMBER 2023

Ord. Ref.		
Sec.3.L.2.(a)	Estimated Cost of Lifeline and Low-income Credits for the 12-month Period commencing July 1, 2023	$25,900,000
Sec.3.L.2.(b)	Estimated Administrative Cost for the 12-month Period commencing July 1, 2023	$579,400
Sec.3.L.2.(c)	Adjustment Account Ending Balance as of November 30, 2022	($9,686,732)
Sec.3.L.2.(d)	Estimated Retail Water Sales in HCF for the 12-month Period, Less Schedules D and Lifeline and Low-income customer sales, commencing July 1, 2023	*179,214,953*
	Low-income Subsidy Adjustment Factor (LISAF)	**0.094**

The Low-Income Subsidy Adjustment (LISA) Factor is less than ten cents per billing unit. The revenue collected through the LISA is used to fund our low-income and lifeline subsidies provided to eligible water customers. As has been previously shared with the Board, plaintiffs in Los Angeles Superior Court Case No. 19STCV07272 have alleged that the LISA is illegal. Therefore, in order to comply with a pending court order in that case, it may become necessary for LADWP to stop billing the LISA. This may also result in LADWP no longer being able to provide the water Low-Income Subsidy and Lifeline Customer Subsidy described in the Ordinance, unless other non-department revenue became available to continue the subsidies. If LADWP is no longer able to offer the subsidies, we will communicate directly with the affected customers in advance.