

N.5



RESOLUTION NO. 025 159

BOARD LETTER APPROVAL

- POWER SYSTEM
- WATER SYSTEM
- COO
- CFO
- LEGAL

Release Date Mar 26, 2025

Ann M. Santilli
Ann M. Santilli (Feb 13, 2025 14:57 PST)

ANN M. SANTILLI
Chief Financial Officer

Anselmo G. Collins

ANSELMO G. COLLINS
Senior Assistant General Manager
Water System

J. Quiñones

JANISSE QUIÑONES
Chief Executive Officer and General Manager

DATE: February 10, 2025

SUBJECT: Estimated Water Supply Cost, Water Quality Improvement, Owens Valley Regulatory, and Water Infrastructure Expenditures for July 1, 2025 Through June 30, 2026

SUMMARY

The attached Resolution approves expenditures for inclusion, for the 12-month period commencing July 1, 2025, 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.

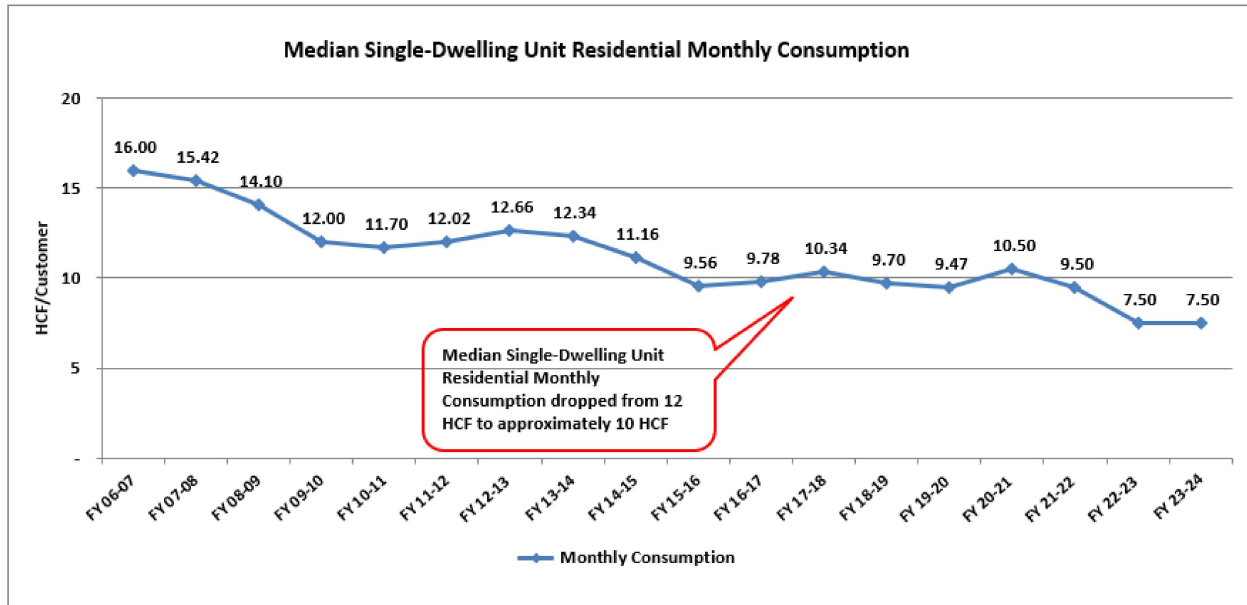
City Council approval is not required.

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, 2025.

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. Due to the wet winters and lower sales, the median Single-Dwelling Unit Residential customer monthly usage was further reduced to 7.5 HCF over the last two consecutive fiscal years.



Effective July 1, 2025, the Single-Dwelling Unit Residential customer's water bill (10 HCF) will be \$124.83. Average hydrologic conditions are projected for the Los Angeles Aqueduct (LAA) supplies during the analysis period; expected supply returns to average conditions as residual supplies from the 2023 wet year are consumed. The San Fernando Basin Groundwater Remediation Facilities are projected to be completed in early 2025 and will result in increased groundwater production. Water demand is projected to remain low but increasing slightly due to projected return to growing population. Overall, the resulting need for purchases of supplemental supplies from the Metropolitan Water District of Southern California (MWD) is expected to increase slightly to meet demands.

**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

*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.

Compared to the previous period, the Single-Dwelling Unit Residential customer's monthly bill (10 HCF) will increase by 3.9 percent, or \$4.72 per month, from \$120.11 to \$124.83. The main drivers of the increase are attributed to higher cash funding level for capital expenditures relating to Water Infrastructure and Water Quality to mitigate the risk of limited accessibility to the capital market, resulting from credit rating downgrade due to the recent Pacific Palisades wildfire, and offset by higher estimated sales volume by roughly 4 million HCF.

Board-approved qualified expenditures for the 12-month period commencing July 1, 2025, 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 2025 | Approved Jan-June 2025 | Variance (Decrease)/Increase |
|---|--------------------------|---------------------------|---------------------------------|
| Water Supply Cost Adjustment Factor | | | |
| Tier 1- Basic Use | \$2.301 | \$2.591 | (\$0.290) |
| Tier 2 - Efficient Use | \$4.012 | \$4.603 | (\$0.591) |
| Tier 3 - High Use | \$4.012 | \$4.603 | (\$0.591) |
| Tier 4 - Excessive Use | \$4.745 | \$4.603 | \$0.142 |
| Water Quality Improvement Adjustment Factor | \$2.443 | \$2.181 | \$0.262 |
| Owens Valley Regulatory Adjustment Factor | \$0.545 | \$0.550 | (\$0.005) |
| Water Infrastructure Adjustment Factor | \$2.900 | \$2.335 | \$0.565 |

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.

| Factor (in \$/HCF) | Proposed Jul-Dec 2025 | Prior Jan-June 2025 | Variance (Decrease)/Increase |
|---|--------------------------|------------------------|---------------------------------|
| Base Rate Revenue Target Adjustment Factor | | | |
| Schedule A - Single Dwelling Unit Residential | \$1.814 | \$1.814 | \$0.000 |
| Schedule B - Multi-Dwelling Unit Residential | \$0.773 | \$0.773 | \$0.000 |
| Schedule Other - Commercial, Industrial, and Governmental | \$0.110 | \$0.110 | \$0.000 |
| Water Expense Stabilization Adjustment Factor | \$0.043 | \$0.043 | \$0.000 |

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 July 2025 effective period.

BACKGROUND

Estimated expenditures for Water Supply, Water Quality Improvement, Owens Valley Regulatory, and Water Infrastructure costs for the 12-month period commencing July 1, 2025, 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 4

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, 2025.

NOW, THEREFORE, BE IT RESOLVED that the Board approves expenditures for the Los Angeles Aqueduct totaling \$109.6 million, purchased water totaling \$245.7 million, groundwater totaling \$101.1 million, recycled water totaling \$25.2 million, and water conservation totaling \$31.1 million for the 12-month period from July 1, 2025, through June 30, 2026, for calculation of the Water Supply Cost Adjustment Factor.

BE IT FURTHER RESOLVED that the Board approves expenditures for water quality-related costs totaling \$471.1 million for the 12-month period from July 1, 2025, through June 30, 2026, for calculation of the Water Quality Improvement Adjustment Factor.

BE IT FURTHER RESOLVED that the Board approves expenditures for Owens Valley regulatory costs totaling \$86.9 million for the 12-month period from July 1, 2025, through June 30, 2026, for calculation of the Owens Valley Regulatory Adjustment Factor.

BE IT FURTHER RESOLVED that the Board approves expenditures for water infrastructure-related costs totaling \$418.2 million for the 12-month period from July 1, 2025, through June 30, 2026, 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 11, 2025



Secretary

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

FEB 07 2025

BY 

BRIAN E. STEWART
DEPUTY CITY ATTORNEY

WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES
July 1, 2025 – June 30, 2026

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) – \$ 2,338,000
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) – \$ 10,979,000
Costs associated with operation of facilities in the Aqueduct Northern District.
- LA AQUED SYS OPER SOUTH (FI 302-2005) – \$ 3,904,000
Costs associated with operation of facilities in the Aqueduct Southern District.
- LA AQUED SYS MAINT SOUTH (FI 302-2015) – \$ 7,464,000
Maintenance costs of Aqueduct facilities in the Southern District.
- LA AQUED SYS MAINT NORTH (FI 302-2025) – \$ 18,901,000
Maintenance costs of Aqueduct facilities in the Northern District.
- RESOURCES MGMT O&M (FI 302-2035) – \$ 11,524,000
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) – \$ 3,255,000
Operating and maintenance costs associated with pumping groundwater in the Owens Valley.
- EAST SIERRA ENVIRONMENTAL (FI 401-3005) – \$ 3,740,000
Non-capital costs of environmental work associated with the LA Aqueduct.
- SOUTHERN DIST ENG & OPER (FI 409-2023) – \$ 1,492,000
Engineering and operational support and management costs for facilities and operations in the Aqueduct Southern District.

Total Los Angeles Aqueduct O&M Expenses \$ 63,597,000

Depreciation Expense Attributed to Los Angeles Aqueduct Expenditures \$ 17,901,569

WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES
July 1, 2025 – June 30, 2026

| | |
|---|------------------------------|
| Property Tax | \$20,731,231 |
| Interest Expense or Equivalent | \$17,449,569 |
| Revenue Generated by Los Angeles Aqueduct Facilities | (\$10,086,071) |
| TOTAL ESTIMATED LOS ANGELES AQUEDUCT PRODUCTION EXPENSES | <u>\$ 109,593,298</u> |

PURCHASED WATER

PURCHASED WATER (FI 301-2224) – \$ 245,712,500

TOTAL ESTIMATED PURCHASED WATER EXPENSE **\$ 245,712,500**

GROUNDWATER

- GROUNDWATER O&M (FI 405-3010) – \$ 7,532,000
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) – \$ 20,485,000
Costs, including power for pumping groundwater (other than in Owens Valley).
- PUMP BOOSTER O&M (FI 312-2240) – \$ 43,569,000
Operating and maintenance costs associated with booster pumping stations, including power costs.

Total In-City Groundwater and Related Booster Pumping O&M Expenses \$ 71,586,000

Depreciation Expense Attributed to Groundwater Expenditures \$ 13,469,380

Interest Expense or Equivalent \$ 16,058,599

TOTAL ESTIMATED IN-CITY GROUNDWATER AND RELATED BOOSTER PUMPING EXPENSES **\$ 101,113,979**

WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES
July 1, 2025 – June 30, 2026

RECYCLED WATER

- WATER RECYCLING O&M (FI 305-2000) – \$ 8,863,000
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.
- STORMWATER CAPTURE O&M (FI 302-2037) – \$ 8,010,000
Operating and maintenance costs of stormwater capture and groundwater recharge facilities and reporting as required for regulatory compliance.

| | |
|--|-----------------------------|
| Total Recycled Water O&M Expenses | \$ 16,873,000 |
| Interest Expense or Equivalent | \$ 8,280,525 |
| TOTAL ESTIMATED RECYCLED WATER EXPENSES | <u>\$ 25,153,525</u> |

WATER CONSERVATION

WATER CONSERVATION OPERATING AND MAINTENANCE EXPENSES

- WATER CONSERVATION O&M (FI 305-1000) – \$ 14,131,000
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) | \$ 14,131,000 |
|---|---------------|

WATER CONSERVATION CAPITAL PROJECT EXPENDITURES

- WATER CONSERVATION - WATER FUNDED (FI 28204) – \$ 17,581,000
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 | \$ 17,581,000 |
|---|---------------|

WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES
July 1, 2025 – June 30, 2026

| | |
|---|------------------------------|
| Total Capital Water Conservation to be Cash Funded @ 80% Per Ordinance No. 184130 Section 3.F.7. (2) | \$ 14,064,800 |
| Debt Service Attributed to Water Conservation Expenditures (3) | \$ 2,899,451 |
| TOTAL ESTIMATED WATER CONSERVATION EXPENSES [(1)+(2)+(3)] | <u>\$ 31,095,251</u> |
| TOTAL ESTIMATED WATER SUPPLY COST ADJUSTMENT FACTOR EXPENDITURES | <u>\$ 512,668,553</u> |

WATER QUALITY IMPROVEMENT ADJUSTMENT FACTOR EXPENDITURES**July 1, 2025 – June 30, 2026**

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) – \$ 38,635,000**
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 AFFAIRS & CUSTOMER CARE (FI 321-2530) – \$ 11,152,000**
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) – \$ 33,411,000**
O&M costs of the Los Angeles Aqueduct Filtration Plant.
- **WATER QUALITY – SYSTEM FLUSHING (FI 323-3150) – \$ 3,586,000**
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) – \$ 41,710,000**
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, 2025 – June 30, 2026

COMMUNITY OUTREACH – WATER (FI 401-0602) – \$ 149,000

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

- WATER QUALITY OPERATIONS AND TESTING (FI 321-2500) – \$ 26,792,000
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 SOURCE PROTECTION & GROUNDWATER REMEDIATION (FI 321-2585) – \$ 10,707,000
Costs associated with groundwater modeling of various basins to track contamination and hydrogeological investigations.
- WELL MONITORING O&M - WQ (FI 409-3030) – \$281,000
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 & DATA APPS (FI 323-2510) – \$ 4,273,000
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) \$ 170,696,000

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) – \$ 9,041,000
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**July 1, 2025 – June 30, 2026**

- **CHLORINATION STATION INSTALLATIONS (FI 24130) – \$22,545,000**
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) – \$ 69,429,000**
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) – \$ 23,925,000**
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) – \$ 25,012,000**
Replace existing water meters to eliminate the presence of lead.
- **WQIP RESERVOIR IMPROVEMENTS (FI 29130) – \$ 4,243,000**
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) – \$ 63,768,000**
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) – \$ 300,000**
Activities associated with security measures for additions and betterments work at existing facilities.
- **WATER SUPPLY OPERATIONS FACILITIES (FI 29200) – \$ 469,000**
Activities to improve water operations facilities, including additions and betterments associated with a water quality lab.

WATER QUALITY IMPROVEMENT ADJUSTMENT FACTOR EXPENDITURES
July 1, 2025 – June 30, 2026

- TOOLS AND EQUIPMENT (FI 29340) – \$1,128,000
Costs for safe, efficient, and reliable water quality-related tools and equipment for supporting productivity goals.

| | |
|--|------------------------------|
| Total Water Quality Improvement Capital Expenditures | \$ 219,860,000 |
| Total Water Quality Improvement Capital to be Cash Funded @ 80% Per Ordinance No. 184130 Section 3.G.4. (2) | \$ 175,888,000 |
| Debt Service Attributed to Water Quality Improvement Expenditures (3) | \$ 124,547,417 |
| TOTAL ESTIMATED WATER QUALITY IMPROVEMENT ADJUSTMENT FACTOR EXPENDITURES [(1)+(2)+(3)] | <u>\$ 471,131,417</u> |

OWENS VALLEY REGULATORY ADJUSTMENT FACTOR EXPENDITURES
July 1, 2025 – June 30, 2026

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) - \$ 3,408,000
Operating and maintenance costs for activities associated with the Lower Owens River.
- OWENS LAKE O&M (FI 401-3006) – \$ 43,948,000
Operating and maintenance costs for activities associated with Owens Lake dust mitigation.

Total Estimated Owens Valley Regulatory O&M Expenses (1) \$ 47,356,000

OWENS VALLEY REGULATORY CAPITAL PROJECT EXPENDITURES

- OWENS LAKE MASTER PROJECT (FI 21146) – \$ 1,693,000
- OWENS VALLEY DUST MITIGATION (FI 22402) – \$ 23,577,000
- SUPPLEMENTAL DUST MITIGATION (FI 22403) - \$2,676,000

Total Owens Valley Regulatory Capital Expenditures \$ 27,946,000

Total Owens Valley Regulatory Capital to be Cash Funded @ 80% Per Ordinance No. 184130 Section 3.K.4. (2) \$ 22,356,800

Debt Service Attributed to Owens Valley Regulatory Expenditures (3) \$ 17,180,394

**TOTAL ESTIMATED OWENS VALLEY REGULATORY
ADJUSTMENT FACTOR EXPENDITURES
[(1)+(2)+(3)]**

\$ 86,893,194

WATER INFRASTRUCTURE ADJUSTMENT FACTOR EXPENDITURES**July 1, 2025 – June 30, 2026**

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) - \$ 19,803,000**
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) - \$ 8,919,000**
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) - \$ 140,240,000**
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) - \$ 56,790,000**
Costs of capital investments in tanks and reservoirs, including new facilities, replacements, or major refurbishments necessary for system reliability.
- **PLANNING HYDRAULIC MODEL (FI 291-80) - \$ 1,637,000**
Costs of capital investments in the development of a comprehensive computerized hydraulic model of the Los Angeles Water Distribution System for planning purposes.
- **GRIFFITH PARK WATER DISTRIBUTION SYSTEM (FI 293-28) - \$ 3,050,000**
Costs of capital investments in LADWP facilities to maintain system reliability.

WATER INFRASTRUCTURE ADJUSTMENT FACTOR EXPENDITURES
July 1, 2025 – June 30, 2026

- **DISTRIBUTION MAINS (FI 263-31) - \$ 166,499,000**
Costs of capital investments in distribution mainlines, including new facilities, replacements, or major refurbishments necessary for system reliability, excluding any reimbursements by others.
- **SRVCS, METERS & HYDRANTS (FI 272-10) - \$ 47,298,000**
Costs of capital investments in meters and hydrants, including new facilities, replacements, or major refurbishments necessary for system reliability, excluding any reimbursements by others.
- **WATER SYSTEM ORGANIZATION FACILITIES (291-90) - \$ 3,006,000**
Costs of capital investments for the improvement of water operations yards for system reliability.
- **SEISMIC IMPROVEMENT (FI 232-90) – \$ 3,810,000**
Costs of capital investments in facilities specifically related to seismic reliability and resilience.
- **WATER SYSTEM INFRASTRUCTURE SUPPORT (FI 282-05) – \$ 3,473,000**
Costs of capital investments in facilities needed to support system reliability activities for the distribution system.

Total Estimated Water Infrastructure Capital Expenditures \$ 454,525,000

**ESTIMATED WATER INFRASTRUCTURE ADJUSTMENT
FACTOR EXPENDITURES (80% CASH FUNDING OF CAPITAL
EXPENDITURES) (1)** \$ 363,620,000

**DEBT SERVICE ATTRIBUTED TO WATER INFRASTRUCTURE
EXPENDITURES (2)** \$ 54,595,849

**TOTAL ESTIMATED WATER INFRASTRUCTURE ADJUSTMENT
FACTOR EXPENDITURES [(1) + (2)]** \$ 418,215,849

**WATER SUPPLY COST ADJUSTMENT FACTOR
FOR JULY THROUGH DECEMBER 2025**

Ord. Ref.

| <u>Estimated Expenditures for Each of the Water Supply Sources for the 12-month Period commencing July 1, 2025</u> | | | <u>Source</u> |
|--|--|------------------------|---------------|
| Sec.3.F.2.(a) | Los Angeles Aqueduct | \$109,593,296 | Schedule A |
| Sec.3.F.2.(b) | Purchased Water | \$245,712,500 | Schedule A |
| Sec.3.F.2.(c) | Groundwater | \$101,113,979 | Schedule A |
| Sec.3.F.2.(d) | Recycled Water | \$25,153,525 | Schedule A |
| Sec.3.F.2.(e) | Water Conservation | \$31,095,251 * | Schedule A |
| | Adjustment Account Ending Balance as of December 31, 2024 | (\$3,984,643) | |
| | | | |
| Sec.3.F.3. | <u>Estimated Production Units (in HCF) of Water Supply Sources for the 12-month Period commencing July 1, 2025</u> | | |
| | Los Angeles Aqueduct | 79,795,872 | |
| | Purchased Water | 63,620,996 | |
| | Groundwater | 35,230,827 | |
| | Recycled Water | 5,381,005 | |
| | Water Conservation (Total Sales excluding Schedule D) | 180,744,647 | |
| | Over/Under Balance (Total Sales excluding Schedule D) | 180,744,647 | |
| | | | |
| | <u>Unit Price for Each of the Water Supply Sources (\$/HCF)</u> | | |
| Sec.3.F.3.(a) | Los Angeles Aqueduct | \$ 1.373 | |
| Sec.3.F.3.(b) | Purchased Water | \$ 3.862 | |
| Sec.3.F.3.(c) | Groundwater | \$ 2.870 | |
| Sec.3.F.3.(d) | Recycled Water | \$ 4.675 | |
| Sec.3.F.3.(f) | Water Conservation (Total Sales excluding Schedule D) | \$ 0.172 ** | |
| Sec.3.F.3.(g) | Over/Under Balance (Total Sales excluding Schedule D) | \$ (0.022) | |
| | | | |
| Sec.3.F.4. | <u>Sources of Supply starting from Least Expensive to Most Expensive (S1 to S4)</u> | | |
| | S1 = LA Aqueduct | 43.361% \$ 1.373 | |
| | S2 = Groundwater | 19.144% \$ 2.870 | |
| | S3 = Purchased Water | 34.571% \$ 3.862 *** | |
| | S4 = Recycled Water | 2.924% \$ 4.675 | |
| | | | |
| Sec.3.F.5. | <u>Customer Usage (Sales) by Tier, excluding Schedule D</u> | | |
| | Tier 1 | 74.163% 134,045,530 | |
| | Tier 2 | 16.601% 30,005,219 *** | |
| | Tier 3 | 5.997% 10,838,855 | |
| | Tier 4 | 3.239% 5,855,042 | |
| | | | |
| Sec.3.F.5. | <u>Water Supply Cost Adjustment Factor for each Tier before Water Conservation and Over/Under Balance</u> | | |
| | Tier 1 = (43.361%/74.163%*1.373) + (19.144%/74.163%*2.870) + (11.658%/74.163%*3.862) | \$ 2.151 | |
| | Tier 2 = (16.601%/16.601%*3.862) | \$ 3.862 | |
| | Tier 3 = (5.997%/5.997%*3.862) | \$ 3.862 | |
| | Tier 4 = (0.315%/3.239%*3.862) + (2.924%/3.239%*4.675) | \$ 4.595 | |
| | | | |
| Sec.3.F.5. | <u>Water Supply Cost Adjustment Factor for Each Tier</u> | | |
| | Tier 1 | \$2.301 | |
| | Tier 2 | \$4.012 | |
| | Tier 3 | \$4.012 | |
| | Tier 4 | \$4.745 | |

* 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 2025**

| | | |
|---------------|--|--------------------------|
| Ord. Ref. | <u>Estimated Expenditures for Each of the Water Quality Cost Types for the 12-month Period commencing July 1, 2025</u> | <u>Source</u> |
| | Water Quality Capital Expenditures | \$175,888,000 * |
| | Water Quality Operation and Maintenance (O&M) Expenses | \$170,696,000 Schedule B |
| | Water Quality Debt Service | \$124,547,417 Schedule B |
| Sec.3.G.2.(a) | Estimated Water Quality Expenditures Subtotal | \$471,131,417 |
| Sec.3.G.2.(b) | <u>Adjustment Account Ending Balance as of December 31, 2024</u> | (\$29,592,102) |
| | <u>Estimated Retail Water Sales in HCF for the 12-month Period, Less Schedule D,</u> | |
| Sec.3.G.2.(c) | <u>commencing July 1, 2025</u> | 180,744,647 |
| | Water Quality Improvement Adjustment Factor (WQIAF) | \$2.443 |

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

**OWENS VALLEY REGULATORY ADJUSTMENT FACTOR
FOR JULY THROUGH DECEMBER 2025**

Ord. Ref.

| <u>Estimated Expenditures for Each of the Owens Valley Regulatory Cost Types for the 12-month Period commencing July 1, 2025</u> | | <u>Source</u> |
|--|--|---------------------------|
| | Owens Valley Capital Expenditures | \$22,356,800 * Schedule C |
| | Owens Valley Operation and Maintenance (O&M) Expenses | \$47,356,000 |
| | Owens Valley Debt Service | \$17,180,394 |
| Sec.3.K.2.(a) | Estimated Owens Valley Expenditures Subtotal | \$86,893,194 |
| Sec.3.K.2.(b) | <u>Adjustment Account Ending Balance as of December 31, 2024</u> | \$11,597,049 |
| Sec.3.K.2.(c) | <u>Estimated Retail Water Sales in HCF for the 12-month Period, Less Schedule D, commencing July 1, 2025</u> | 180,744,647 |
| | Owens Valley Regulatory Adjustment Factor (OVRAF) | \$0.545 |

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

**WATER INFRASTRUCTURE ADJUSTMENT FACTOR
FOR JULY THROUGH DECEMBER 2025**

Ord. Ref.

Estimated Expenditures for Each of the Water Infrastructure Cost Types for the 12-month Period commencing
July 1, 2025

Source

| | | | |
|---------------|--|----------------|------------|
| | Water Infrastructure Capital Expenditures | \$363,620,000 | Schedule D |
| | Water Infrastructure Debt Service | \$54,595,849 | |
| Sec.3.R.2.(a) | Total Estimated Water Infrastructure Expenditures | \$418,215,849 | |
| Sec.3.R.2.(b) | <u>Adjustment Account Ending Balance as of December 31, 2024</u> | \$106,007,542 | |
| Sec.3.R.2.(c) | <u>Estimated Retail Water Sales in HCF for the 12-month Period, Less Schedule D, commencing July 1, 2025</u> | 180,744,647 | |
| | Water Infrastructure Adjustment Factor (WIAF) | \$2.900 | |