
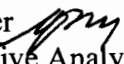


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: August 9, 2007

TO: Honorable Mayor Antonio R. Villaraigosa
Honorable Members, City Council

FROM: Karen L. Sisson 
City Administrative Officer

Gerry F. Miller 
Chief Legislative Analyst

SUBJECT: Revenue Requirements Report for the
Department of Water and Power – July 30, 2007

Please find attached the independent Revenue Requirements Report for the Department of Water and Power (DWP) prepared in accordance with the rate review process adopted by the Council on April 4, 2006 (C.F. 05-0548). The Report was produced by the Huron Consulting Group (Huron) previously known as the Barrington-Wellesley Group (BWG) through a contractual arrangement with our Offices. The DWP is proposing energy services rate increases effective January 1, 2008, July 1, 2008 and July 1, 2009 which total approximately 9%. The DWP is also proposing water services rate increases effective July 1, 2008 and July 1, 2009 which total approximately 6%. As a result of your past experience reviewing past rate increase requests from the DWP, you have ordered a Revenue Requirements Study be part of the rate review process.

Please note that Huron finds in its study that:

- The DWP's proposed Energy Services rate increases are necessary to meet operating costs, improve reliability, and meet the Department's financial objectives;
- The DWP's proposed Water Services rate increases are necessary to meet operating costs, improve reliability, and meet the Department's financial objectives.

Please note that this is a Revenue Requirements Report – not a financial or performance audit, rate study or a benchmarking study. The purpose of this report is to obtain an independent opinion of the actual revenue required by the DWP prior to the initiation of a discussion of rate actions. Therefore, changes in revenue and/or expenses presented in this report may not reflect a corresponding change in the water or power rates of individual or corporate customers. Changes in rates could occur at different levels for different customer classes.

Every attempt was made to ensure the independence of Huron from the DWP. Information was provided and verified by the DWP. Huron was tasked with reviewing information, comparing it to other utilities and developing their own analyses and conclusions. In addition, we limited our interaction with Huron to clarification of information, formatting, contract compliance and the checking of logic. Huron was not directed in the formulation of conclusions and/or recommendations.

In compliance with the Council-adopted revenue requirements process, this document is being made available to the City Neighborhood Councils and other stakeholders and will be posted on the City website. In addition, an opportunity will be provided for all stakeholders to interact with Huron in the near future. The General Manager of the DWP has had an opportunity to review this report and comment in writing. Those comments are attached.

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