

Los Angeles Daily News

11% water rate hike advances
Report says boost of nearly a third needed by 2010

By Rick Orlov, Staff Writer

Wednesday, April 28, 2004 - An 11 percent increase in Los Angeles water rates cleared a key City Council hurdle Tuesday, even as a new Department of Water and Power report called for increases of nearly a third by 2010.

Officials said they expected council approval of the 11 percent rate hike by summer, while the proposed 7 percent hike next year will be taken up later. Even those hikes might not be enough.

An analysis by Deloitte Co. said the DWP might need increases of 6.5 percent for each of the next five years to pay for repairs to aging pipes and water-treatment facilities. "We think the DWP needs to prepare a long-term plan as part of its annual budget process to determine its needs," said Bernard Uffelman, an analyst from Deloitte Co., who was hired by DWP to analyze water rates after Councilman Tony Cardenas questioned the need for back-to-back rate hikes.

"I think we can look at projections, but I am not going to commit us to that level of increase," said Councilwoman Cindy Miscikowski, who noted that water rates were last raised 11 years ago.

"Certainly, we have to be concerned about the infrastructure. One of the reasons we're looking at such a large increase now is the years we went without raising rates. We should look at our needs on a biannual basis and see what is needed a couple of years down the road."

Councilwoman Janice Hahn concurred.

"Going to 11 percent was a major compromise," Hahn said. "I think we need to see what that impact is before we look at other increases."

Uffelman made his presentation to the council's Commerce, Energy and Natural Resources Committee, which recommended the full City Council approve the 11 percent increase.

The 11 percent plan would increase the bimonthly bill for the average residential customer by nearly \$5. A monthly breakdown of the bills prepared for the DWP showed the average going from \$24.98 to \$26.77.

While unhappy with the prospect of higher rates this year, a representative of a neighborhood council praised the increased cooperation from DWP officials in recent weeks.

James Alger of the Northridge West Neighborhood Council said residents did not believe the agency was being truthful with the public when the rate increase was first proposed.

"If they had told us the truth, that a lot of this money was going to be used as a transfer to the general fund, we would have supported it," Alger said. "We just wanted to be told the truth about it."

Mayor James Hahn proposes transferring an additional \$60 million from the DWP's power funds in the coming year to help balance the city budget. Under state law, the city cannot use power funds to offset the water system costs.

The water rate hike is expected to raise \$24 million a year in revenue, while the DWP's water system provides a \$29 million annual transfer to the city general fund.

Acting General Manager Frank Salas said the transfer, which has been made for the past 80 years, represents 5 percent of the water system revenue. It is considered a payment the city would otherwise receive from a private utility.

Salas said the 11 percent rate increase was essential for the utility to keep its top bond rating, repair the system and keep L.A. water safe.

Councilwoman Hahn told DWP officials they would have to work harder in the future to win public acceptance by including neighborhood councils in the decision-making progress.

Salas said it was a lesson the agency will implement as it prepares for future rate increases.

In a related action, the committee approved a proposal that will require the DWP to hire independent analysts to justify any future rate increases.