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February 12, 2010

The Honorable City Council  
Office of the City Clerk  
Room 395, City Hall  
Mail Stop 160

Honorable Members:

Subject: Council File No. CF 10-0093  
Claims Related to the Coldwater Canyon Trunk Line Break

At its meeting held January 15, 2010, the Los Angeles City Council (Council) directed the Los Angeles Department of Water and Power (LADWP) and requested the City Attorney's Office to report to the Council on the claims process and all claims arising from what has become known as the Coldwater Canyon Trunk Line Break of September 6, 2009, in Studio City.

It should be noted that immediately following the rupture, LADWP made living arrangements at LADWP's expense for residents who were temporarily displaced at the Sportsman Lodge. For those residents who required longer term temporary housing as a result of the incident, LADWP arranged for housing at the Oakwood Apartments at LADWP's expense. Most, but not all, of the residents who required temporary housing utilized these options.

With limited exception, claims brought against LADWP are subject to the Governmental Claims Act as codified in California Government Code Section 900 et seq. Claims against LADWP are filed with the LADWP's Claims Section which is part of the Legal Division. Upon receipt of a claim, the Chief Claims Agent assigns the matter to a claims investigator for initial evaluation. That process involves many factors, including: nature of incident, type and severity of damage, amount of the claim and submission of supporting documentation. The claims process plays out in steps and it is important for claimants to submit their forms with complete supporting documentation in order for the process to move forward in a timely manner. Many claims are filed incomplete, with claimants submitting documentation as it becomes available, which can delay the

process. Claims personnel work as swiftly as possible to investigate and determine the validity of each claim.

By their nature smaller claims resolve quicker while larger more complex claims take longer. For instance a fully documented claim under \$15,000 is usually concluded within 45 days. However, a subrogation claim on a matter involving repairs and prolonged construction will not be concluded for several months when the insurer has finished paying out pursuant to insurance policy terms and conditions.

With respect to the Coldwater Trunk Line Break, there were eighty-six distinct claims filed with respect to damages allegedly incurred by homeowners/tenants and businesses. Thirty-seven of these claims were filed by homeowner/tenants at various times. Of these thirty-seven, seventeen have been settled, four have been presented with offers, fifteen are awaiting documentation and one has been denied. The one denied was denied on the basis that the claimant's insurance company already compensated the claimant for all losses and was now making a claim against LADWP.

In addition to the homeowner/tenant claims, there were eight claims filed by businesses. One has been paid, one is awaiting documentation, and one is under review after recently completed submissions. Four of the claims filed were denied after a determination that the business filing the claim did not have any water intrusion.

Subrogation claims by insurance companies represent forty-one of the eighty-six claims. A subrogation claim means the insurance company has already paid out their respective insureds (homeowners/tenants/small business) and is now seeking recovery from LADWP. Of these forty-one claims, nineteen have been resolved, seventeen are awaiting documentation, and five are under review after recently completed submissions.

Any claim settlements paid out come directly from ratepayer funds. LADWP claims and legal staff are very diligent in verifying all claims made and documenting any payments made. The Council Motion of January 15, 2010, made reference to LADWP asking residents to produce receipts for every item of lost property. In determining the value of items allegedly destroyed or damaged as a result of an incident, LADWP relies on the substantiating documentation provided by the claimant. The actual value of a damaged or destroyed item is based in large part on the purchase price and the age of the item. LADWP claims representatives recognize that a person will not have receipts for every item ever purchased, nor do they expect claimants to produce the same. As part of the claims process, claimants are asked the purchase price and age of the items for which they are seeking recovery. If a claimant alleges that a major item is relatively new, we would reasonably expect that the claimant will have documentation supporting the amount claimed. That documentation can be a receipt, credit card statement, cancelled check, etc. For instance, in one of the claims submitted in the Coldwater

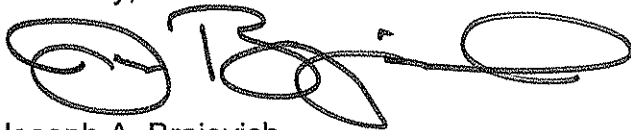
Canyon Trunk Line Break, one of the items claimed is a \$16,000 patio set. The claimant has refused to provide any supportive documentation for this item. Another claimant, seeks in excess of \$200,000 for personal items, the majority of which are alleged to be less than a year old but for which no supportive valuation documentation has been submitted.

In sum, during the claims process we recognize that individuals will not have receipts for every loss claimed especially older ones. However, we do require documentation where it should be reasonably available as in the claims noted above. To require less than that which should be readily available to a claimant would invite inflated and unsubstantiated claims. Protection of the public fisc requires a reasonable inquiry into all loss claims

LADWP and the City Attorney strive to complete the claims process in timely manner. A prompt and just resolution of the claims arising from the Coldwater Trunk Line Break is our goal. If any Councilmember has any questions related to a particular claim, a representative of this office is available to discuss those with you in closed session as these are pending claims.

If you have any questions or if further information is required regarding LADWP's claim process, please call me at (213) 367-3476.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Brajevich', with a large, stylized flourish extending to the right.

Joseph A. Brajevich  
Assistant General Counsel  
Los Angeles Department of Water and Power

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c: The Honorable Councilmembers  
Mr. Miguel Santana, City Administrative Officer  
Mr. Gerry F. Miller, Chief Legislative Analyst  
Ms. Winifred J. Yancy