

**TO THE COUNCIL OF THE  
CITY OF LOS ANGELES**

**Your                    AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE**

**reports as follows:**

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE REPORT relative to Los Angeles Department of Water and Power (DWP) customer billing and collection practices and the feasibility of conducting an independent audit of those practices.

Recommendations for Council action, as initiated by Motion (Zine - Parks):

1.        REQUEST the DWP to report on the findings of internal audits of its billing and collection process.
2.        REQUEST the DWP to prepare and present an outreach plan on how the DWP will address this issue with their customers, to include an appeal process and a point of contact for customers.
3.        REQUEST the DWP to report on how this issue can be better addressed through the proposed Office of Public Accountability that will provide oversight of the DWP.
4.        REQUEST the Controller to conduct an independent audit, to be performed at the DWP's expense, of the DWP's billing and collection practices, including a discussion on the issues of late billing.
5.        REQUEST the DWP to provide an overview of their current digital meter program.
6.        REQUEST and INSTRUCT as appropriate the City Attorney, the DWP, LADBS, and other appropriate City departments to draft an ordinance that would mandate single meters for water and power at all new construction or major rehabilitation.

Fiscal Impact Statement: Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted

Summary:

At its regular meeting of April 26, 2011, the Audits and Governmental Efficiency Committee considered Motion (Zine – Parks) relative to requesting that the DWP address its customer billing and collection issues and that the Controller report on the feasibility of conducting an independent audit on the performance of the Department Water and Power's billing and collection practices, specifically on the delay of issuing bills. Pursuant to the Motion, the General Manager and the Executive Director of Customer Services for the DWP and a representative of the Controller appeared before the Committee to provide reports.

The DWP reported that out of its 1.4 million power and 680,000 water customers, 99.75 percent of the bills it issues to them are accurate and that the DWP exceeds the industry standard of 98.5 percent. Additionally the DWP has reduced by half the number of delayed billings. However, the issue with the other .25 percent, according to DWP, is an antiquated 1970's era customer billing system. In order to locate questionable bills, the DWP must currently rely on the existing obsolete billing system to generate a massive printout the thickness of an encyclopedia, requiring a human eye to read through. As a result, some problems are missed causing issues and delays in billing for the customer.

DWP plans to make improvements to its bills next month to provide customers with billing information and consumption for the last 12 months which should assist both the DWP and its customers in spotting issues. Moreover, the DWP is currently updating its customer billing system through a multi-year process that is expected to be complete by early 2013. The new, modern system will be able to improve billing accuracy and discover issues quicker. In the meantime, the DWP will work with customers on billing issues, and if it involves a delayed bill, the customer will be given the amount of the delay in order to pay the bill or be given the opportunity to pay the bill through a custom payment plan.

The Committee questioned the DWP about bills with issues such as being delayed and/or inaccurate and how it will handle the many customers this number represents, especially since many of them will now be calling the Controller's Waste Fraud and Abuse hotline or the DWP itself as a result of the Committee Chair's recent press conference on this issue and the accompanying press coverage. The Committee Chair and the Vice Chair each related examples of serious billing issues their constituents have had with the DWP such as a small business that received a \$23,000 bill, another small business that received a \$480,000 bill due to a meter reading error, and a residential customer who received a 22-month bill totaling \$1,600 - \$2,000 due to a broken meter.

The Committee expressed concern that the DWP has not been responsive in the past to customers in resolving similar issues and that it was imperative that DWP be courteous to these customers and be willing to work with them, especially when the issues occur on the part of the DWP. The DWP General Manager reported that the situations described by the Committee are rare and promised the department will be more responsive in terms of interacting appropriately with customers, particularly since customer service staff have been notified to expect a large influx of calls in response to heightened public awareness of this issue.

In light of DWP billing issues caused by broken or defective meters, the Committee requested that at its regular meeting of May 3, 2011, the Energy and Environment Committee consider Motion (Parks – Perry) (CF [11-0569](#)) regarding this matter at the same time it considers the matter of DWP billing and collection practices (CF 11-0657). The Committee also inquired about the use of prepaid metering, digital meters, and other smart meter technology to reduce billing issues and eliminate human error in reading meters. The DWP reported that it is investigating prepaid metering, but that it has moved forward with digital meters and out of some two million meters, it currently has 75,000 digital meters installed and another 50,000 digital meters in progress through a grant from the Department of Energy. However, the DWP reported it is taking a measured approach in order to avoid the problems of some jurisdictions that have spent billions replacing their entire metering systems only to discover the meters are now obsolete and do not provide the features and functionality as originally envisioned. Although DWP would like to have cutting edge technology, it may be more prudent to let other jurisdictions continue to test the technology and learn from them. However, the DWP acknowledged digital meters as part of a smart grid are the template for the future, but this issue is developing national and global standards.

The Committee then raised the issue of universal or master meters in commercial and multi-residential locations where the property owner pays the bill and the unit occupants pay a flat fee to the property owner. In cases such as this, the Committee voiced concern about the incentive to conserve since there

is no way of determining individual consumption. Additionally, in a multi-residential master metered situation, if the property is foreclosed upon, the unit occupants face disconnection of service since they cannot collectively or individually pay the bill. Therefore the Committee inquired whether DWP currently mandates single or individual meters in new construction in the same manner in which it mandates backflow valves for homes in the hills or seismic gas shut-off valves. The DWP responded that there are cost and space issues associated with such a requirement and that DWP does not have jurisdiction over the building codes that would mandate single or individual meters. An ordinance would be necessary to amend the building codes to include this requirement.

In terms of auditing DWP billing and collection practices, the DWP reported that in the last 5 years, it has conducted approximately 20 internal audits (cash register receipts at branch offices, re-billing, collections success rate, etc.), or an average of four audits per year through the department's financial services office.

A representative of the Controller addressed the Committee and reported that to date the Controller has not conducted an audit of DWP's billing and collection practices and is unable to provide information on the cost of such an audit without first knowing the scope and magnitude. Additionally, the Controller would need to know whether the audit would involve the billing and collection information systems, the billing and collection process itself, or both. In response to a question from the Committee Chair regarding when such an audit could occur (at the DWP's expense), the representative of the Controller advised that further research would be necessary.

Before adjourning, the Committee requested that the City Clerk work with the DWP to include in this committee report the process the community should follow to resolve issues with their meters and associated billing. The DWP advises customers experiencing issues concerning their DWP bills or meters to call the DWP's toll free number at 1-800-DIAL-DWP (1-800-342-5397), contact the DWP online or by e-mail through the department's website at [www.ladwp.com](http://www.ladwp.com). Customers can also call the Controller's Waste, Fraud and Abuse hotline at 1-866-428-1514.

After providing an opportunity for public comment, the Committee requested various report backs from the DWP and further requested the Controller to conduct an audit. Lastly, the Committee asked that this matter be referred to the Energy and Environment Committee for its consideration. This matter is now submitted to Council for its consideration.

Respectfully submitted,

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
ZINE	YES
PARKS	YES
SMITH	ABSENT

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**Not Official Until Council Acts**