

CITY OF LOS ANGELES  
CALIFORNIA

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When making inquiries relative to  
this matter, please refer to the  
Council File No.

September 26, 2012

To All Interested Parties:

The City Council adopted the action(s), as attached, under Council File No. 12-1504,  
at its meeting held September 25, 2012.

City Clerk  
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PLEASE SCHEDULE THE FOLLOWING ITEM FOR TUESDAY, SEPTEMBER 25, 2012:

ITEM NO. ()

12-1504

COMMUNICATION FROM THE CITY ATTORNEY and ORDINANCE relative to the rates fixed by the Department of Water and Power of the City of Los Angeles (LADWP) to be charged for electrical energy distributed and for service supplied by LADWP to its customers and approval of the time and manner of payment.

Recommendation for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

PRESENT and ADOPT the accompanying ORDINANCE approving the rates fixed by the LADWP and to be charged for electrical energy distributed and for service supplied by LADWP to its customers and approving the time and manner of payment of the same, as prescribed by LADWP..

Fiscal Impact Statement: None submitted by the City Attorney. Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

(Energy and Environment Committee waived consideration of the above matter)

ESV  
12-1504\_waived\_rpt\_ee\_9-20-2012

SEP 25 2012 ORDINANCE OVER TO Oct. 2, 2012  
for second reading  
FORTHWITH

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TO THE COUNCIL OF THE  
CITY OF LOS ANGELES

Your

ENERGY AND ENVIRONMENT COMMITTEE

reports as follows:

ENERGY AND ENVIRONMENT COMMITTEE REPORT relative to the incremental electric rate increase and restructuring components for electrical energy distributed, and for service supplied by the City of Los Angeles Department of Water and Power (LADWP) to its customers.

Recommendations for Council action, ~~SUBJECT TO THE APPROVAL OF THE MAYOR:~~

1. CONCUR with the Board of Water and Power Commissioners' action of September 12, 2012, Resolution No. 013-053, approving the Incremental Electric Rate Ordinance, ~~and amending the existing power rates and approving rate increases for fiscal years 2012-13 and 2013-14 resulting in a total revenue increase over two years of \$328.4 million.~~ \*
2. REQUEST the LADWP to implement, with the assistance of the Ratepayer Advocate, City Administrative Officer (CAO), Chief Legislative Analyst (CLA) and any other relevant departments, the recommendations of the Independent Third Party Review as follows:
  - a. Conduct negotiations with labor to find common ground that allows for greater flexibility to contract out effectively and bring salaries and benefits closer to other power utility providers.
  - b. Reevaluate and consider replacing the surcharge-based restructuring approach with fully restructured permanent rates once legal considerations allow.
  - c. Conduct a new formal cost of service study in order to prepare for future power rate restructuring.
  - d. Conduct a benchmarking assessment to review the cost per project for the repowering program and the Power Reliability Program to ensure cost reasonableness.
  - e. Identify opportunities to contract out and explore the potential savings, including the benchmarking of staffing and outsourcing levels against utility peers.
  - f. Review overtime expenses allocation, as well as the Department's contractual requirements that have an impact on overtime.
  - g. Complete a rigorous review of the Department's hedging plan to lock in low fuel prices.
  - h. Establish a plan for energy efficiency that maintains expenditure levels at an achievable and cost effective level.
  - i. Seek greater Departmental efficiencies by pursuing process improvement efforts across a range of areas and practices.
  - j. Submit a semi-annual report to the Mayor and Council regarding the status of the Renewable Portfolio Standards program and its impact on rates.

3. REQUEST the LADWP and the Ratepayer Advocate, in conjunction with the CLA and CAO, to report back in 90 days on the status of each of the specified recommendations, including a prioritized listing and schedule for implementation, and provide a quarterly status report on each recommendation thereafter.

Fiscal Impact Statement: The CAO reports that approval of the proposed rate action will generate an additional 4.9 percent revenue increase for FY 2012-13 of \$144.6 million, and an additional 6 percent revenue increase for FY 2013-14 of \$183.7 million for a cumulative total increase in revenue over two years of \$328.4 million. The City General Fund will be impacted by the proposed power rate action through an increase in the City's cost for electricity of approximately \$7.2 million consisting of approximately \$2 million in FY 2012-13 and \$5.2 million in FY 2013-14. The proposed action complies with the Department's adopted Financial Policies.

Community Impact Statement: None submitted.

Summary:

On September 19, 2012, the Energy and Environment Committee considered a September 12, 2012 Board of Water and Power Commissioners' report and Resolution, joint CAO, CLA and Office of Public Accountability/Ratepayer Advocate communication relative to the Incremental Electric Rate Ordinance.

The LADWP, Office of Public Accountability/Ratepayer Advocate, CLA, and the CAO representatives provided an overview of the LADWP's request. After providing an opportunity for public comment, the Committee recommended that Council concur with the joint CAO and CLA report, as reflected above. An additional recommendation was added for the LADWP and the Ratepayer Advocate, in conjunction with the CAO and CLA, to report back in 90 days on the status of each of the specified recommendations, including a prioritized listing and schedule for implementation, and provide a quarterly status report on each recommendation thereafter. This matter is now submitted to Council for its consideration.

Respectfully submitted,

ENERGY AND ENVIRONMENT COMMITTEE

**ADOPTED**  
*As Amended \**  
SEP 25 2012  
*see Attached Motion*  
**LOS ANGELES CITY COUNCIL**

<u>MEMBER</u>	<u>VOTE</u>
HUIZAR:	YES
ZINE:	ABSENT
CÁRDENAS:	YES
ALARCÓN:	ABSENT
KORETZ:	YES

EV  
12-1504\_rpt\_ee\_9-19-12

**FORTHWITH**

- Not Official Until Council Acts -

**MOTION**

I HEREBY MOVE that Council AMEND the Energy and Environment Committee report to include the following recommendation (Item No. 16, Council file 12-1504):

REQUEST the Department of Water and Power, with the assistance of the Chief Legislative Analyst report back in 120 days on the feasibility of implementing a virtual net metering program and/or other mechanism to enable renters, low-income utility customers, and those that live in areas that are not conducive to installing solar on their own property to receive the benefits of renewable energy.

PRESENTED BY \_\_\_\_\_  
ED P. REYES  
Councilmember, 1st District

SECONDED BY \_\_\_\_\_  
JOSE HUIZAR  
Councilmember, 14th District

September 25, 2012

CF 12-1504

**ADOPTED**

SEP 25 2012

LOS ANGELES CITY COUNCIL

**FORTHWITH**