

**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

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

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- Not Official Until Council Acts -