

14-0161

FEB 04 2014

MOTION

MAR 13 2014
BUDGET & FINANCE
ENERGY & ENVIRONMENT

The Department of Water and Power (DWP) recently reported that power system revenue collections are \$200 million below anticipated levels, citing delays in billing and collections associated with the implementation of its new Customer Information System.

The utility also reported that its power system capital spending is \$322 million under budget and its operating expenses are \$45 million under budget. This under spending, combined with its cash reserves, will enable the DWP to absorb the current reduction in revenue collections, according to the department.

The DWP power system annually transfers 8 percent of its gross operating revenue from the prior fiscal year to the City of Los Angeles Reserve Fund. In fiscal year 2013-14, the DWP transfer amounts to \$253 million.

Given the significant contribution that the DWP transfer and other revenue sources make to the City's Reserve Fund, reductions in the DWP power system revenue collection could have an impact on the City's finances.

In addition, while the DWP may be able to absorb the reduced revenue collection due to under spending, the slow down in capital spending could impact the utility's ability to meet Charter and legislative requirements.

In 2012, the DWP implemented a two-year rate hike that increased rates by 11.1 percent. This rate increase was intended, in part, to support the replacement of its aging infrastructure and projects needed to meet state-mandated renewable energy requirements. The Power System Capital Budget for fiscal year 2013-14 is more than \$1.5 billion, a significant portion of which is contracted out.

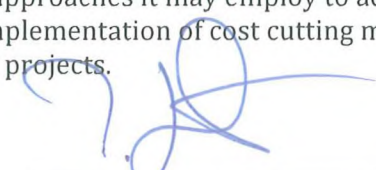
It is important that the DWP provide a report as to the status of each of these components in order to ensure the financial well-being of the City's utility and the delivery of vital services to the City's residents.

I THEREFORE MOVE that the Department of Water and Power (DWP) and the City Administrative Officer (CAO) report to Council within 30 days on the status of its revenue collection for the current fiscal year, its projections for revenue collection for the remainder of the fiscal year, and the potential impacts of lower-than-expected revenue collection on the annual transfer and the Utility Users Tax to the City's Reserve Fund.

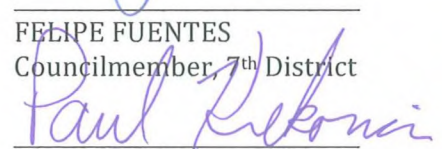
I FURTHER MOVE that the DWP, in conjunction with the CAO and the Office of Public Accountability/Ratepayer Advocate, report on the status of the utility's capital spending program (Power Reliability Program and Water Infrastructure Program), and its efforts to ensure the ongoing replacement of aging infrastructure and to meet state-mandated renewable energy requirements.

I FURTHER MOVE that the DWP report as to methods and approaches it may employ to adjust capital spending to obtain budgeted levels, including the implementation of cost cutting measures and/or future rate adjustments to support required capital projects.

PRESENTED BY:


FELIPE FUENTES
Councilmember, 7th District

SECONDED BY:


Paul Kubonick


FEB - 4 2014

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