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Item No.: 2
Deputy: Adam R. Lid

LA DWP NEXTCENTURY
BUILDING LA'S WATER & POWER FUTURE

FY 14-15 PROPOSED FINAL BUDGET

Energy and Environment Committee Briefing
May 7, 2014

FY 2014-15 Budget Development Status

City Charter Section 511 (b) requires the Board to adopt an annual receipts and appropriations Budget for the Water and Power Revenue Funds prior to the beginning of each fiscal year, in a preliminary budget by March 31 and a Final Budget by May 30.

Preliminary budget transmitted by March 31, but with notes that adjustments would be made in Final.

Final Budget presented yesterday to Board, and scheduled for approval on May 20, 2014 assumes no base rate adjustments.

Upon approval, the final budget will be transmitted to the Mayor, City Council, City Administrative Officer, Chief Legislative Analyst, and Ratepayer Advocate

Power Revenue Fund

Power Revenue Fund
Financial Summary

($ in Millions)	FY 2012-2013 Actual	FY 2013-2014 Approved	FY 2013-2014 Forecast (4/22/14)	FY 2014-15 Preliminary	FY 2014-15 Proposed	FY 2014-15 Change
Retail Revenue	$ 3,090	$ 3,361	$ 3,250	$ 3,427	$ 3,506	$ 79
Other Revenue	61	61	33	57	48	(9)
Operating Expense	(2,337)	(2,295)	(2,250)	(2,309)	(2,337)	28
Cash Available for Debt Service	815	1,127	1,032	1,174	1,217	43
Total Debt Service	(427)	(459)	(450)	(467)	(436)	31
City Transfer	(247)	(253)	(253)	(261)	(261)	-
Capital Investments	(1,059)	(1,565)	(1,234)	(1,741)	(1,476)	265
Net Funding Needs	(918)	(1,150)	(905)	(1,295)	(956)	339
Borrowing for Capex	1,130	456	557	1,155	679	(476)
Other Items *	395	242	69	108	164	56
Change in Cash	607	(452)	(279)	(32)	(113)	(81)
Beginning Cash	439	752	1,046	676	767	91
Ending Cash	1,046	300	767	644	654	10
Debt Reduction Trust Fund	490	494	492	496	495	(1)
Total Cash	$ 1,536	$ 794	$ 1,259	$ 1,140	$ 1,149	$ 9
Days of Operating Cash (w/o Debt Svc)	180	121	192	170	170	

* Includes Asset Gains/Losses, and Other Income and Expenses, etc.

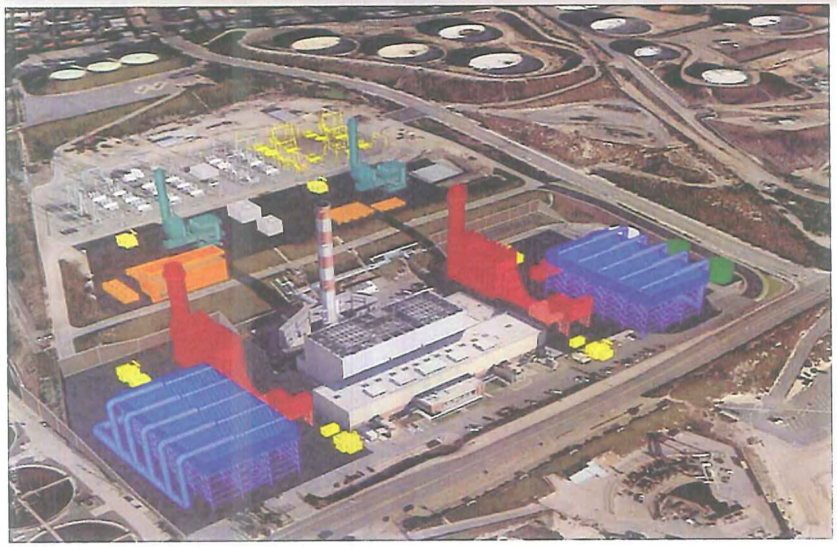
Deferrals and adjustments of planned capital investments is driving the reductions from the preliminary budget.

Power Revenue Fund
Power Supply Replacement Program

Capital (in Millions)	FY 12-13 Actuals	FY 13-14 Approved	FY 13-14 Forecast	FY 14-15 Preliminary	FY 14-15 Proposed	Change
Scattergood Repowering	$ 125.1	$ 352.1	$ 353.1	$ 285.7	$ 270.8	$ (14.9)
Barren Ridge Transmission	7.5	132.8	24.6	235.4	217.7	$ (17.7)
Beacon Solar Projects	-	-	24.5	32.4	30.1	$ (2.3)
Power System Support/General	232.5	139.8	97.0	98.3	73.2	(25.1)
Total - Capital	**$ 365.1**	**$ 624.7**	**$ 499.2**	**$ 651.8**	**$ 591.8**	**$ (60.0)**
O&M (in Millions)						
Wind and Solar Plant O&M	$ 8.1	$ 9.9	$ 11.3	$ 9.8	$ 10.1	$ 0.3
Small Hydro O&M	8.3	7.8	7.8	8.2	7.9	$ (0.3)
Power System Support/General	8.9	12.6	12.0	11.5	10.8	(0.7)
Total - O&M	**$ 25.3**	**$ 30.3**	**$ 31.1**	**$ 29.5**	**$ 28.8**	**$ (0.7)**
Fuel and Purchased Power (in Millions)						
Renewable Energy (PPA's)	$ 262.0	$ 338.1	$ 272.9	$ 322.3	$ 282.3	$ (40.0)
Total - FPPB	**$ 262.0**	**$ 338.1**	**$ 272.9**	**$ 322.3**	**$ 282.3**	**$ (40.0)**

The **Power Supply Replacement Program** includes developing a greener resource mix by Rebuilding of Local Power Plants, developing more Renewable Energy Resources, and transitioning from Coal to Cleaner Resources. Key Projects include Scattergood Units 1, 2 & 3 Repowering to comply with Once-Through Cooling Regulatory Mandates, the 65-mile 230kV Barren Ridge Transmission Line to transmit renewable energy from Barren Ridge Switching Station to Haskel Switching Station, and the Beacon 250MW Solar Project. Also included is O&M for existing Renewable Projects and Renewable Energy Purchase Power Agreements.

Power Supply Replacement Program
Scattergood Repowering & Barren Ridge Transmission Line



Artist Rendering of Proposed Scattergood Generating Station.

The Repowering of Scattergood will include the replacement of Units 1, 2, and 3 with fast-start natural gas-fired combustion turbines to support the variability of hourly generation from renewable energy resources while converting stations from ocean water cooling to dry cooling systems.

Artist rendering of proposed Haskel Switching Station.

The Haskel Switching Station is connected to the Barren Ridge Switching Station along a 65 mile path of new double-circuit 230kV transmission line bringing renewable energy to Los Angeles.

Power Revenue Fund
Power System Reliability Program

Capital (in Millions)	FY 12-13 Actuals	FY 13-14 Approved	FY 13-14 Forecast	FY 14-15 Preliminary	FY 14-15 Proposed	FY 14-15 Change
Generation	$ 18.3	$ 14.3	$ 14.3	$ 6.5	$ 1.4	$ (5.1)
Distribution	137.2	192.4	136.4	267.4	197.5	(69.9)
Substation	52.1	69.4	49.8	115.5	83.3	(32.2)
Transmission	9.8	91.1	52.7	128.6	82.0	(46.6)
Total - Capital	**$ 217.4**	**$ 367.2**	**$ 253.2**	**$ 518.0**	**$ 364.2**	**$ (153.8)**
O&M (in Millions)						
Distribution	$ 188.9	$ 202.0	$ 195.0	$ 210.9	$ 188.1	$ (22.8)
Transmission	23.3	24.9	24.7	24.2	27.5	3.3
Substation	11.6	10.7	10.6	12.7	12.1	(0.6)
Apprentice and Journeyman Training	58.7	76.0	67.4	73.6	56.9	(16.7)
Total - O&M	**$ 282.5**	**$ 313.6**	**$ 297.7**	**$ 321.4**	**$ 284.6**	**$ (36.8)**

The **Power System Reliability Program (PSRP)** is critical for the replacement of the rapidly aging backbone and infrastructure of the Generation, Transmission and Distribution Systems. For FY 14-15, the PSRP has been restructured to improve how funds are prioritized and improve the overall effectiveness of the program.

This includes the replacement of Poles, Crossarms, Transformers and Cables, Substation Automation and Maintenance, and construction of 15-mile Scattergood – Olympic 230kV Cable A which will provide improvements to the West Los Angeles area. Also, Apprentice and Journeyman Craft Training Programs are key elements of the PSRP.

Power System Reliability Program

Temporary Repairs - Overhead

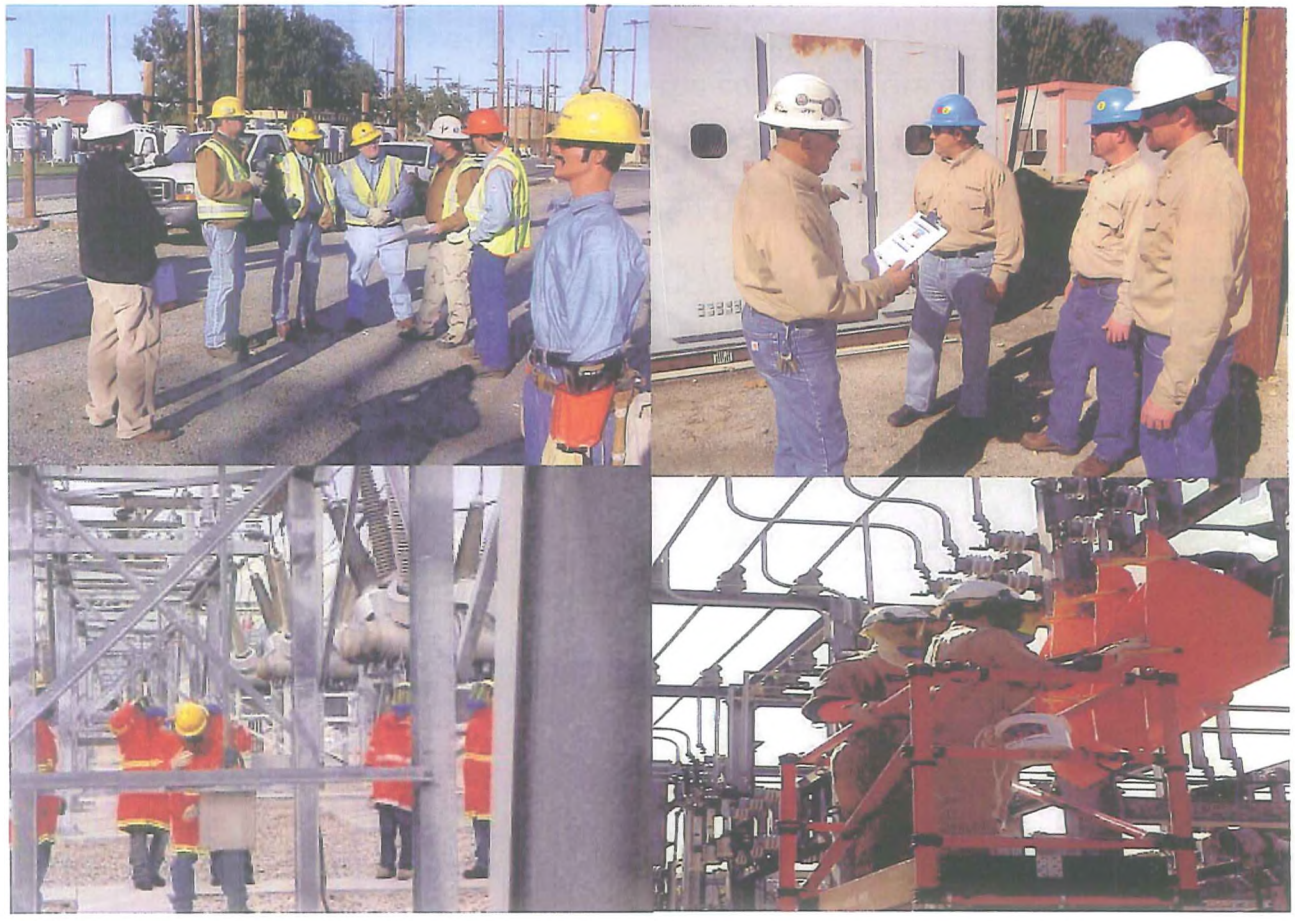
Shown are temporary repairs to overhead facilities also referred to as Fix-It Tickets. These temporary repairs allow service to be restored until permanent repairs can be made.

Repairs shown are:

- Secondary Service Pole with Broken Crossarms.
- Crossarms that are broken and tied up with rope.
- Tied up Transformer rack with broken transformer hanger crossarm.
- Transformer rack crossarms and cutout/hanger crossarms broken.

Power System Reliability Program

Apprentice Training Program



The Apprentice Training Program is conducted at the Truesdale Training Facility.

Apprentice Job Classifications include:

- Steam Plant Assistants
- Electrical Station Operators
- Electrical Mechanics
- Electrical Distribution Mechanics
- Wind Farm Technicians (New)

Power Revenue Fund
Customer Opportunities Program

	FY 12-13	FY 13-14		FY 14-15		
Capital (in Millions)	**Actuals**	**Approved**	**Forecast**	**Preliminary**	**Proposed**	**Change**
Energy Efficiency	$ 49.9	$ 137.7	$ 74.6	$ 124.1	$ 101.5	$ (22.6)
SB1 Solar Incentives	48.7	65.6	45.6	43.0	35.0	(8.0)
Total - Capital	**$ 98.6**	**$ 203.3**	**$ 120.2**	**$ 167.2**	**$ 136.5**	**$ (30.7)**
O&M (in Millions)						
Energy Efficiency	$ (5.2)	$ -	$ -	$ -	$ -	$ -
FiT Program Management	0.8	2.2	3.7	(4.0)	(3.9)	0.1
Total - O&M	**$ (4.4)**	**$ 2.2**	**$ 3.7**	**$ (4.0)**	**$ (3.9)**	**$ 0.1**
Fuel and Purchased Power (in Millions)						
Feed-in Tariff	$ -	$ 1.4	$ 1.4	$ 10.5	$ 10.5	$ 0.0
Total - FPPB	**$ -**	**$ 1.4**	**$ 1.4**	**$ 10.5**	**$ 10.5**	**$ 0.0**

Customer Opportunities Program provides Customers the opportunities to reduce energy reliance and carbon footprint on LADWP through Energy Efficiency, Solar Incentives, and Feed-in Tariff Programs.

The Energy Efficiency budget will achieve 260 GWh savings and allow the LADWP to continue to invest in customer rebate and installation programs and exceed the State mandate of 10% by 2020.

In April 2014, LA was ranked the #1 city in the country in the amount of solar power installed, according to a report by Environment California Research and Policy Center.

The Feed-in Tariff (FiT) Program creates an additional solar power funding mechanism to support distributed electrical generation from local renewable resources and provides distribution benefits. FiT Program energy payments will ramp up as the program expands to the 150 MW anticipated by 2016.

Water Revenue Fund
FY 14-15 Budget Overview

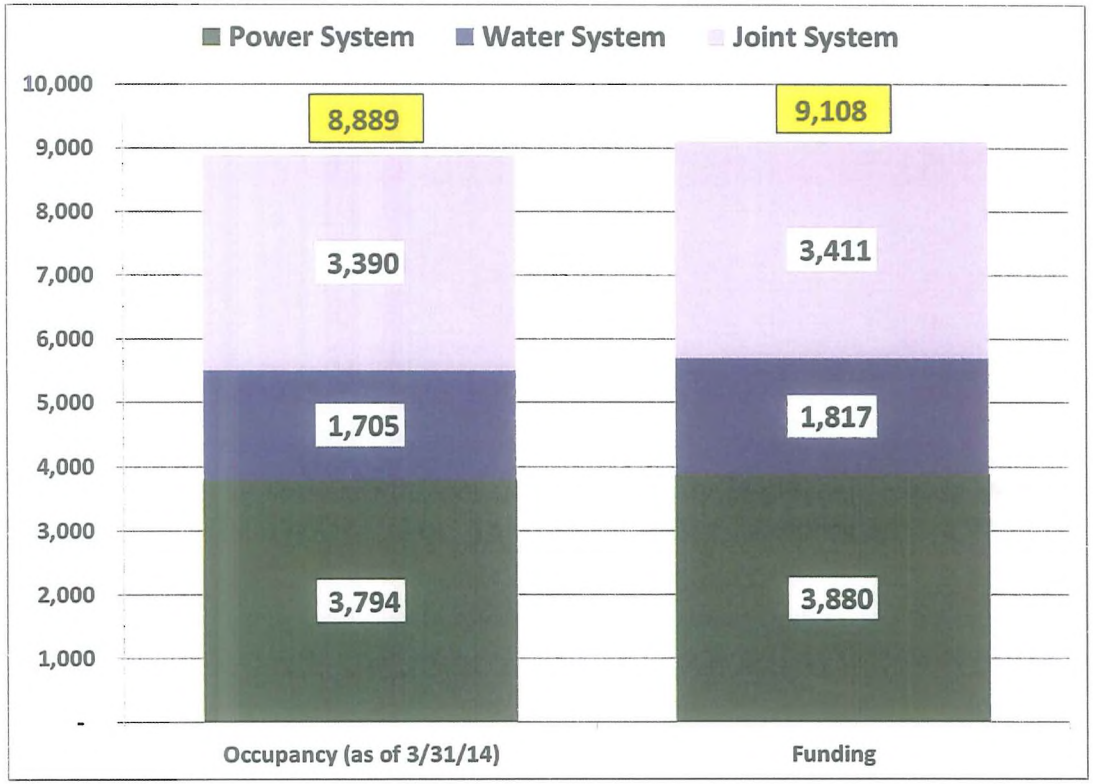
Capital (in Millions)	FY 12-13 Actuals	FY 13-14 Approved	FY 13-14 Forecast	FY 14-15 Preliminary	FY 14-15 Proposed	Change
Safe Drinking Water Program	$ 193.2	$ 232.7	$ 270.5	$ 201.6	$ 170.3	(31.3)
Water Infrastructure Program	153.6	193.6	217.2	243.5	228.5	(15.0)
Local Water Supply and Remediation	59.9	173.6	91.9	175.3	118.1	(57.2)
Regulatory Compliance - Owens Valley	40.1	123.2	81.2	109.9	146.2	36.3
Operating Support	20.4	36.1	32.1	49.5	29.3	(20.2)
Customer Service	19.0	9.5	11.8	3.8	7.6	3.8
Water System Support/General	0.6	0.2	0.5	21.9	22.0	0.1
Total - Capital	**486.8**	**768.9**	**705.2**	**805.5**	**722.0**	**(83.5)**
O&M (in Millions)						
Water Infrastructure Program	147.1	151.9	145.4	154.8	149.9	(4.9)
Local Water Supply and Remediation	25.5	41.2	38.4	36.6	35.9	(0.7)
Regulatory Compliance - Owens Valley	31.3	36.3	34.5	36.3	35.1	(1.2)
Operating Support	42.3	47.0	50.0	44.6	44.0	(0.6)
Customer Service	51.3	65.3	55.2	57.1	61.3	4.2
Water System Support/General	77.7	101.0	93.5	92.9	95.9	3.0
Total - O&M	**375.2**	**442.7**	**417.0**	**422.3**	**422.1**	**(0.2)**
Purchased Water (in Millions)	**279.4**	**288.2**	**288.2**	**343.9**	**343.9**	-

Power Revenue Fund
FY 14-15 Budget Overview

	FY 12-13	FY 13-14		FY 14-15		
Capital (in Millions)	**Actuals**	**Approved**	**Forecast**	**Preliminary**	**Proposed**	**Change**
Power Supply Replacement Program	$ 365.1	$ 624.7	$ 499.2	$ 651.8	$ 591.8	$ (60.0)
Power System Reliability Program	217.4	367.2	253.2	518.0	364.2	$ (153.8)
Customer Opportunities Program	98.6	203.3	120.2	167.2	136.5	$ (30.7)
Customer Service	40.8	27.4	28.6	19.4	22.8	$ 3.4
Operating Support	29.3	56.7	48.3	75.0	51.5	$ (23.5)
Power System Support/General	307.7	285.8	284.9	309.3	309.4	0.1
Total - Capital	**1,058.9**	**1,565.1**	**1,234.4**	**1,740.7**	**1,476.2**	**(264.5)**
O&M (in Millions)						
Power Supply Replacement Program	$ 25.3	$ 30.3	$ 31.1	$ 29.5	$ 28.8	$ (0.7)
Power System Reliability Program	282.5	313.6	297.7	321.4	284.6	$ (36.8)
Customer Opportunities Program	(4.4)	2.2	3.7	(4.0)	(3.9)	$ 0.1
Customer Service	144.0	181.4	152.7	158.3	170.0	$ 11.7
Operating Support	107.9	140.9	136.9	132.4	130.9	$ (1.5)
Power System Support/General	326.1	344.6	328.5	347.5	351.3	3.8
Total - O&M	**881.4**	**1,013.0**	**950.6**	**985.1**	**961.7**	**(23.4)**
Fuel and Purchased Power (in Millions)						
Power Supply Replacement Program	$ 262.0	$ 338.1	$ 272.9	$ 322.3	$ 282.3	$ (40.0)
Customer Opportunities Program	-	1.4	1.4	10.5	10.5	$ -
Non-renewables	1,075.0	1,043.6	1,124.0	1,088.0	1,164.8	$ 76.8
CO_2 Emissions	4.8	12.5	27.3	32.0	26.9	$ (5.1)
Total - FPPB	**1,341.8**	**1,395.6**	**1,425.6**	**1,452.8**	**1,484.5**	**31.7**

Appendix

Staffing Plan by System



Total Budget ($ in Millions)	Labor	Overtime	Benefits
Joint System	$ 304.4	$ 26.5	$ 231.5
Power System	$ 454.1	$ 49.6	$ 316.8
Water System	$ 184.9	$ 15.5	$ 139.7
Total LADWP	**$ 943.4**	**$ 91.6**	**$ 688.0**

- Labor funding above current occupancy is allocated primarily for implementing:
  - Enhancing Customer Service
  - Key Programs For Water and Power
  - Succession Planning
  - Staffing Critical Support Areas (i.e. Supply Chain Services, Financial Services, Human Resources)
- Based on eligibility criteria, approximately 3,500 employees or roughly 40% of the existing LADWP workforce will be eligible to retire within FY 2014-15; actual Retirement for FY 2013-14 as of March 2014 is 213 employees
- Annual Personnel Resolution is 10,008 Budgeted Positions

Staffing

Water Revenue Fund
Regulatory Compliance – Owens Valley

Capital (in Millions)	FY 12-13 Actuals	FY 13-14 Approved	FY 13-14 Forecast	FY 14-15 Preliminary	FY 14-15 Proposed	Change
East Sierra Environmental	$ 3.0	$ 3.6	$ 4.7	$ 3.7	$ 5.5	$ 1.8
Owens Valley Dust Mitigation	12.0	8.8	9.8	8.2	8.2	-
Supplemental Dust Control	25.1	110.8	66.7	98.0	132.5	34.5
Total - Capital	**$ 40.1**	**$ 123.2**	**$ 81.2**	**$ 109.9**	**$ 146.2**	**$ 36.3**
O&M (in Millions)						
Lower Owens River O&M	$ 3.0	$ 4.4	$ 3.8	$ 4.2	$ 4.1	$ (0.1)
East Sierra Environmental	2.7	3.1	2.6	3.3	2.9	(0.4)
Owens Lake O&M	25.6	28.8	28.1	28.8	28.1	(0.7)
Total - O&M	**$ 31.3**	**$ 36.3**	**$ 34.5**	**$ 36.3**	**$ 35.1**	**$ (1.2)**

Regulatory Compliance – Owens Valley Regulatory Mandated expenditures in the Owens Valley required for Dust Mitigation.

The primary project for the Program Year is Phase 7A which focuses on waterless dust control measures on Owens Lake.

Local Water Supply and Remediation Program
Tujunga Spreading Grounds Project

Improvements to the spreading grounds and intake diversions structure will increase the recharge capacity from 8K AF per year to 16K AF per year.

This will result in increased efficiency for flood protection and Stormwater conservation.

Water Recycling
"Purple Pipe" installation. The annual goal is to install up to 10K feet per year.

Water Revenue Fund
Local Water Supply and Remediation Program

Capital (in Millions)	FY 12-13 Actuals	FY 13-14 Approved	FY 13-14 Forecast	FY 14-15 Preliminary	FY 14-15 Proposed	FY 14-15 Change
Conservation and Reclamation	$ 42.6	$ 101.9	$ 58.5	$ 100.5	$ 83.9	$ (16.6)
Groundwater Remediation and Cleanup	12.4	47.8	19.4	60.3	28.9	(31.4)
Water System Support/General	4.9	23.9	14.0	14.5	5.3	(9.2)
Total - Capital	**$ 59.9**	**$ 173.6**	**$ 91.9**	**$ 175.3**	**$ 118.1**	**$ (57.2)**
O&M (in Millions)						
Conservation and Reclamation	$ 15.4	$ 24.3	$ 24.0	$ 23.9	$ 23.2	$ (0.7)
Resources Management	7.3	11.3	8.6	8.5	7.8	(0.7)
Water System Support/General	2.8	5.6	5.8	4.2	4.9	0.7
Total - O&M	**$ 25.5**	**$ 41.2**	**$ 38.4**	**$ 36.6**	**$ 35.9**	**$ (0.7)**

Local Water Supply and Remediation includes Recycled Water, Water Conservation, Groundwater Cleanup and Stormwater Capture.

Improvements to the spreading grounds and intake diversions structure will increase the recharge capacity from 8K AF per year to 16K AF per year. This will result in increased efficiency for Stormwater conservation and return greater amounts of water to the aquifer, as well as other related benefits.

Water Recycling "Purple Pipe" annual goal is to install up to 10K feet per year.

Water Infrastructure Program
Mainline Replacement Program

The 7,200 miles of water distribution pipeline is the backbone of our delivery infrastructure.

Over 233 miles are over a century old and 70% are more than 50 years old. Maintenance and replacement is critical for continued reliability.

Water Revenue Fund
Water Infrastructure Program

Capital (in Millions)	FY 12-13 Actuals	FY 13-14 Approved	FY 13-14 Forecast	FY 14-15 Preliminary	FY 14-15 Proposed	FY 14-15 Change
LA Aqueduct North and South	$ 11.5	$ 16.0	$ 18.1	$ 16.0	$ 16.6	$ 0.6
Services, Meters and Hydrants	43.3	46.3	45.2	46.2	47.1	0.9
Distribution Mains	63.3	75.8	75.1	79.5	77.6	(1.9)
Infrastructure Improvements	10.5	13.2	12.6	24.2	22.8	(1.4)
Water System Support/General	25.0	42.3	66.2	77.6	64.4	(13.2)
Total - Capital	**$ 153.6**	**$ 193.6**	**$ 217.2**	**$ 243.5**	**$ 228.5**	**$ (15.0)**
O&M (in Millions)						
LA Aqueduct North and South	$ 22.6	$ 22.4	$ 20.9	$ 23.9	$ 19.9	$ (4.0)
Distribution Mains O&M	39.1	34.6	35.9	34.7	35.4	0.7
Service Connections O&M	15.9	16.2	16.1	16.3	16.5	0.2
Fire Hydrant Maintenance	4.0	3.7	3.7	3.8	3.8	-
Water System Support/General	65.5	75.0	68.8	76.1	74.4	(1.7)
Total - O&M	**$ 147.1**	**$ 151.9**	**$ 145.4**	**$ 154.8**	**$ 150.0**	**$ (4.8)**

Water Infrastructure Program is critical for the replacement of aging pipeline and infrastructure including Regulator Stations, Pumping Stations, and Maintenance and Repair of the LA Aqueduct.

The 7,200 miles of water distribution pipeline is the backbone of our delivery infrastructure.

Over 233 miles are over a century old and 70% are more than 50 years old. Maintenance and replacement is critical for continued reliability.

Safe Drinking Water Program

Los Angeles Aqueduct Filtration Plant: Ultra-Violet Facility

Construction of an Ultra-violet Treatment Facility on the outlet of the Los Angeles Reservoir to treat outflow.

This is necessary to comply with Long Term 2 Enhanced Surface Water Treatment Rule.