

LOS ANGELES DEPARTMENT OF WATER AND POWER

FISCAL YEAR 2015-2016 GOALS AND OBJECTIVES

The goals and objectives of the Los Angeles Department of Water and Power (LADWP) for Fiscal Year 2015-16 are in alignment with Mayor Garcetti's five Priority Outcome Areas and are reflected in the allocation of resources in the FY 2015-16 Preliminary Budget. This alignment of the LADWP budget with the goals and objectives and the greater use of benchmarking and key performance metrics throughout the Department will provide greater transparency, accountability and information for enhanced decision-making.

Key goals for FY 2015-16 include:

- (1) Maintaining reliable service through rebuilding our aging water and power infrastructure.
- (2) Continuing the transformation of our water and power supplies for improved sustainability and to meet State and Federal regulatory mandates;
- (3) Improving communications, services and the overall experience for all LADWP customers;

A system level synopsis of goals and objectives is presented below and is based on the anticipated spending levels as specified in the FY 2015-16 Preliminary Receipts and Appropriations budget.

POWER SYSTEM

The Power System considers a 20-year planning horizon as it executes major new and replacement projects and programs. This planning assures future energy needs of LADWP customers are met in a manner that balances the following key goals:

- Superior reliability and supply of electric service.
- Competitive electric rates consistent with sound business principles.
- Responsible environmental stewardship exceeding all regulatory obligations.

The Power System has developed and implemented a number of programs to meet these key goals:

Renewable Portfolio Standard (RPS) is designed to increase the Department's percentage of renewable energy from the current 20 percent, to 33 percent by the end of 2020 as mandated by state legislation and has taken a leadership position by adopting a goal of 40 percent RPS by 2030. Program considerations include further system reliability studies, transmission upgrades, and energy storage projects that may be necessary to achieve higher levels of RPS beyond 33%.

Power System Reliability Program (PSRP) includes the establishment of metrics and indices to help prioritize equipment and infrastructure replacement and expenditures for all major components/functions of the Power

System, including distribution, substation, transmission, and generation. The PSRP includes Power System assets affecting reliability in an integrated and comprehensive manner. This program includes greater levels of capital expenditures designed to minimize future outages and maintain and achieve higher reliability in the short and long term.

Repowering for Reliability and Address Once-Through Cooling encompass a long-term series of projects through 2029 designed to increase generation reliability and efficiency, reduce NO_x emissions, and eliminate the need for once-through ocean water cooling as required by state and federal environmental regulations. These new generators are fast-starting, more fuel efficient, and will be able to help integrate increased levels of renewable energy such as wind and solar.

Customer Opportunities Program includes working with customers to develop local solar energy through the Solar Incentive Program to achieve the goal of reaching 280MW by 2016 and Feed-in Tariff (FiT) Program to achieve 150MW by 2016. During FY 2014-15, the Power System is also working towards an expansion of the FiT Program to a total of 450MW. In addition, LADWP encourages the adoption of electric transportation to save customers money, benefit the environment, and help with integration of renewable power. Also, included is the Office of Sustainability and Economic Development's Energy Efficiency program (see Joint System's Office of Sustainability and Economic Development section).

Castaic Lake - Federal Energy Regulatory Commission (FERC) Re-licensing Program is an essential 10-year relicensing process between the LADWP and Department of Water Resources. Through 2016, LADWP and DWR expects to develop preliminary study plan proposals, compile information for the Pre-Application Document, identify and conduct preliminary discussions with agencies, tribes, and stakeholders. A number of hydroelectric power plants along the California Aqueduct are affected including the Castaic Hydroelectric Plant (Castaic). The FERC license to operate Castaic is scheduled to expire on January 31, 2022.

WATER SYSTEM

The Water System's mission is to provide reliable, high quality water to customers in a publically and environmentally safe, efficient, and responsible manner. Goals toward achieving this priority include:

- Assuring the completion of scheduled water infrastructure replacement projects.
- Meeting current and emerging water quality regulatory and policy mandates.
- Ensuring programs and policies are in place to protect and improve sustainability of water supply and resources.

The Water System committed the following principal programs towards achievement of these goals:

Water Infrastructure Program entails investments in projects supporting the major components of the Water System infrastructure including water pipeline replacement, pumping stations refurbishment, meter replacement, regulator station refurbishment, tank retrofits, and Los Angeles Aqueduct reservoirs and dams refurbishment to enhance water supply reliability. For example, the LADWP has over one million feet (200 miles) of distribution mains that are approximately 100 years old. Within five years, there will be over 300 miles of mains 100 years of age or older. The replacement of the City's aging pipeline infrastructure is critical to the continued reliability of water supply to our customers.

Regulatory Mandates Including the Safe Drinking Water Program and Owens Lake Dust Control require major investments in water infrastructure, open reservoirs, drinking water quality improvements, and particulate emissions (dust) control from Owens Lake. After reaching a historic agreement with the Great Basin Unified Air Pollution Control District, construction on Owens Lake Phase 9 and 10 is earmarked to begin in FY 2015-2016. Through this agreement, best available control measures are approved for dust control requiring less water than was initially estimated. Preliminary development of an Owens Lake Master Project is also planned.

Local Water Supply Remediation Program is a long-term initiative to develop local water supplies within the City to reduce continued reliance on imported water that is purchased from the Metropolitan Water District (MWD). To reliably meet the long term water supply needs of the City at the lowest cost, LADWP proposes increased investments in local supply as set out in the 2010 Urban Water Management Plan. Additional considerations include:

- Furthering existing recycling project commitments designed to progress from a current water recycling level of 10,300 acre-feet per year to over 50,000 acre-feet per year by 2024. Objectives for the fiscal year are to sign up six new recycled water customers, install 10,000 feet of recycled water pipeline, and increase recycled water production to 11,000 acre-feet.
- Cleaning contaminated local groundwater supplies in the San Fernando Valley by moving forward with plans for groundwater cleanup facilities and finalization of an interim remedy plan for the USEPA North Hollywood Superfund Area groundwater remediation and cleanup site.
- Restoring investment in the San Fernando Valley ground water basin remediation and cleanup for public and environmental benefits as well as to enable future water storage. Development of groundwater basin remediation and cleanup alternatives and begin the environmental documentation process.
- Finishing the Environmental Impact Report for recycled water groundwater replenishment program.
- Increased emphasis on the LADWP Water Conservation Program which aims to improve water use efficiency in the City of Los Angeles and motivate permanent behavior-change in residents to use water more responsibly.

JOINT SYSTEM

The Joint System provides critical organization-wide support including but not limited to customer service, sustainability and economic development, corporate performance, human resources, financial services and community relations. Key goals that further this organization wide support include:

- Becoming a more customer focused organization
- Maintaining and strengthening LADWP's financial position and liquidity through appropriate enhancements to financial policies and metrics
- Providing human resources services to develop and sustain a highly-skilled and diverse workforce
- Using technology, enterprise systems and other critical applications to support and enhance LADWP operations

Below are some of the Joint System Organizations and their programs in support of these key goals:

Customer Service is evaluating and revamping processes and expanding customer payment options to reduce customer wait times, increase customer convenience, and provide a better customer experience.

Office of Sustainability and Economic Development works directly with the Power and Water Systems and handles matters involving energy efficiency, water conservation, economic development, distributed generation outreach, the electrification of the transportation network and environmental compliance responsibilities. In addition to working with internal LADWP groups, the Office also works to create innovative partnerships with communities and collaborates with government agencies to advance conservation and sustainability both at a grass roots and policy level. For FY 15-16, this Office will continue to make Los Angeles a more environmentally minded and prosperous city by:

- Establishing a path forward to meet the Board of Water and Power's mandate of 15% energy efficiency savings by 2020.
- Aggressively promoting the water conservation goals outlined in Mayor Garcetti's Executive Directive 5 which include increasing water conservation measures for City facilities, business and residential customers.
- Expanding the electric vehicle infrastructure that provides convenient and easy vehicle charging options in Los Angeles.
- Continue expanding economic development with a strong focus in cleantech and STEM careers for youth in the City of Los Angeles.
- Ensuring that LADWP remains in compliance with state environmental mandates and goals that incorporate a transparent and rigorous data performance analysis on GHG emissions and sustainable metrics into the day to day operations of LADWP.

Office of Corporate Performance is implementing programs and policies that utilize key metrics to manage LADWP operations. This includes multi-phase benchmarking performance studies with the 1st phase to be completed in early 2015, and it also includes implementation of the DWPSTAT program for periodic review of key performance metrics.

Human Resources is developing and administering workforce operational plans to systematically capture and transfer institutional knowledge and ensure appropriate staffing levels throughout the LADWP. Human Resources is also managing training programs that develop employees and collaborating with labor and management to encourage open communication and timely resolution of conflicts.

Financial Services Organization is exploring innovative financing techniques to reduce upward rate pressure; evaluating and proposing new or revised financial metrics; and, addressing water and power rate revenue requirements on a multi-year basis including a review cost allocation and rate design.

Information Technology Services is optimizing and upgrading the new Customer Information System to meet operational needs and customer service standards; and, analyzing existing financial and human resources systems for operational risk and identifying opportunities for implementation of an Enterprise Resource Planning (ERP) solution.