



RESOLUTION NO. _____

BOARD LETTER APPROVAL

A handwritten signature in blue ink, appearing to read 'M. Webster', is written over a horizontal line. To the right of the signature, the word '(for)' is written in blue ink.

MICHAEL S. WEBSTER
Executive Director – Power System
Engineering and Technical Services

A handwritten signature in blue ink, appearing to read 'J. Peltola', is written over a horizontal line.

JEFFERY L. PELTOLA
Chief Financial Officer
Financial Services Organization

A handwritten signature in blue ink, appearing to read 'M. Adams', is written over a horizontal line.

MARTIN L. ADAMS
Chief Operating Officer

A handwritten signature in blue ink, appearing to read 'David H. Wright', is written over a horizontal line.

DAVID H. WRIGHT
General Manager

DATE: December 28, 2016

SUBJECT: Standard Offer for LADWP Outdoor Lighting Program Service Agreement and Rate Calculation Methodology

SUMMARY

The LADWP existing program known as “DWP Outdoor Area Lighting” since 1996 will now be known as the “LADWP Outdoor Lighting Program” (OL Program). This program helps enhance the safety and security of residents and businesses by providing outdoor lighting (OL) service at night. Under the OL Program, interested customers can request that LADWP mount streetlight-style or directional fixtures on nearby existing power poles of LADWP’s distribution system, on City-owned streetlight poles, or on poles owned by the customers to provide additional lighting to a specific area. The attached Resolution approves the use of a new Rates Calculation Methodology and twenty-year Standard Offer for LADWP OL Program Service Agreement (Standard Offer) for premises initially receiving OL service and for premises already receiving OL service once an OL fixture type is changed. Further, the Resolution directs LADWP to continue providing the same OL service on a month-to-month basis to any premises already receiving this service from LADWP other than by ordinance.

City Council approval is required per Charter Section 373.

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners adopt the attached Resolution.

ALTERNATIVES CONSIDERED

Not adopting the Standard Offer and not authorizing the provision of month-to-month service to premises already receiving OL service from LADWP other than by ordinance would prevent the long-term service relationship that OL Program customers desire, unless the lengthy process for adoption of a new rate ordinance to address the program could be completed. Not adopting the proposed Rate Calculation Methodology would mean that there is no mechanism to readily adjust for cost changes within the OL Program and to accommodate the inclusion of new fixture types into the OL Program. An alternative to the proposed Rate Calculation Methodology would be a rate calculation methodology that charges the customer a monthly rate per fixture that is based upon consumption during that month. Under such a methodology, the bill for every OL service agreement would vary from month to month, making administration of the OL Program cost-prohibitive.

FINANCIAL INFORMATION

Use of the Standard Offer should have no notable financial impact on LADWP operations. Continuing LADWP's provision of OL service to any premises already receiving OL service from LADWP other than by ordinance should have no financial impact on LADWP operations. Use of the Rate Calculation Methodology should allow LADWP to fully recover the OL Program costs. The higher rates for some fixture types calculated by the new methodology may cause program participation levels to vary, but, with the addition of new energy-efficient light-emitting diode (LED) fixtures, the OL Program should still remain an attractive option for interested customers. Conversion to LED OL fixtures may increase LADWP's near-term installation costs.

BACKGROUND

OL Program Purpose:

What is now called the OL Program was established by LADWP as a service to residents and businesses who wished to improve safety and security on their properties and/or expand their business operation hours using OL at night.

Guidelines:

The OL Program takes advantage of existing LADWP infrastructure to support OL when there is an existing LADWP utility pole with an appropriate voltage nearby. Under the OL Program, interested customers can request that LADWP mount streetlight-style or directional fixtures on nearby existing LADWP distribution system power poles, on streetlight poles owned by the City of Los Angeles, or on poles owned by those customers, to provide additional lighting to an area.

Ownership:

LADWP is not required to install lighting equipment at locations where, in its judgment, the service may be objectionable to others, or where there is unreasonable exposure to accidental or malicious damage. LADWP owns, operates, supplies energy to, and provides maintenance to the facilities of the OL Program.

OL Program Rationale:

Instead of using the OL Program, customers could hire a contractor to put up security lighting or do it themselves. In such instances, there is a substantial initial cost to the customer for the infrastructure to have the lights installed, as well as the additional maintenance costs that will be necessary in the future. The energy consumption for the lights would be calculated through each particular customer's electric service billing meter. In general, the customers who have opted into the OL Program have done so because they only pay a low, fixed monthly rate for the specific amount of light that shines on their property, with no extra charges when repairs are required.

Overview of Existing Customer Contracts:

Customers already receiving OL service from LADWP other than by ordinance have month-to-month service agreements using the form DWP Outdoor Lighting Service Order, DWP Outdoor Area Lighting Contract, or LADWP Outdoor Area Lighting Contract attached to the Resolution. As of May 12, 2016, there are 5,236 existing customer contracts with 20,898 lighting fixtures, generating a monthly income of \$483,606, or \$5,803,272 annually. This breaks down into 3,424 businesses with 11,831 fixtures, 1,350 residents with 2,043 fixtures, and 462 governmental customers with 7,024 fixtures, generating \$328,218, \$33,957, and \$121,431 of monthly income, respectively. The largest individual contract in the OL Program is for 411 fixtures, generating an income of \$6,632.25 monthly, or \$79,587 annually. The Resolution authorizes LADWP to continue the provision of OL service to those customers on the same terms and conditions (including pricing) as those in the applicable service agreement, until an OL fixture type serving that premises is changed, upon approval of such provision by the City Council, pursuant to Los Angeles City Charter §373.

Proposed Rate Calculation Methodology and Standard Offer:

The Rate Calculation Methodology developed by the Rates Group continues to utilize a fixed monthly charge which includes maintenance. This approach eases the administration of the OL Program and allows the customers to more accurately budget for their OL costs. The monthly fixed charges are based on Schedules LS-3 Rate A and LS-3 [i] Rate A energy prices, cost of the fixture, equipment, engineering and initial fixture installation labor, and maintenance. The costs of the energy and fixture maintenance are escalated based upon the anticipated twenty-year service agreement term and fixture life respectively. The Rate Calculation Methodology provides flexibility to develop appropriate pricing for fixture types new to the OL Program and enhances cost recovery by LADWP.

The proposed Rate Calculation Methodology and twenty-year Standard Offer reflect the long-term nature of most OL service. They would be used for premises initially receiving OL service and also those premises already receiving OL service as soon as an OL fixture type serving the particular premises is changed. Such changes to fixture types are likely to occur due to maintenance or repair needs and also because LADWP

plans to eventually replace metal halide and high pressure sodium OL fixtures with more energy-efficient LED OL fixtures.

Under Los Angeles City Charter §373, use of the Standard Offer requires City Council approval due to its twenty-year term. Under the proposed Standard Offer, in addition to the applicable monthly rates, the customer agrees to pay one hundred dollars per installed fixture if such customer, subject to the agreement, terminates part or all the service between eight days and one year after installation of all fixtures, absent assignment. Further, the additional costs of nonstandard installations and costs of removing, modifying, and restoring installations require payment in advance.

The City Administrative Officer Report dated November 8, 2016 is attached.

ENVIRONMENTAL DETERMINATION

In accordance with Section 15060 (c)(3) of the California Environmental Quality Act (CEQA) Guidelines, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378 (b)(2) states that continuing administrative activities, such as the continued provision of OL services as well as a change of name to the program, does not meet that definition. Therefore, this is not an action subject to CEQA.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution as to form and legality.

ATTACHMENTS

- Resolution
- DWP Outdoor Lighting Service Order
- DWP Outdoor Area Lighting Contract
- LADWP Outdoor Area Lighting Contract
- OAL (Outdoor Area Lighting) Price List
- Standard Offer for LADWP OL Program Service Agreement
- LADWP OL Program Rate Calculation Methodology
- City Administrative Officer Report