

CITY OF LOS ANGELES

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April 22, 2019

Honorable Paul Krekorian, Chairman
Honorable Curren D. Price, Jr., Vice Chair
Honorable Paul Koretz, Member
Honorable Bob Blumenfield, Member
Honorable Mike Bonin, Member
Budget and Finance Committee
City Council, City of Los Angeles
Room 435, City Hall
Los Angeles, California 90012

Dear Committee Chair and Members:

Thank you for this opportunity to make comments to your Committee on the Mayor's 2019-20 Proposed Budget for the Office of Public Accountability/Ratepayer Advocate (OPA)

Charter Amendment I was approved by the electorate on March 8, 2011, and created the Office of Public Accountability (OPA) to provide public independent analysis of Department of Water and Power actions as they relate to water and electricity rates. It also authorized the City Council, by ordinance, to establish provisions for the administration and operation of the OPA. Due to numerous divergent opinions held by elected officials and staff on the scope, duties, responsibilities and independence of the OPA, a very small, basic, and conservative initial organization with limited staffing and funding was provided. It was intended that evolution of the structure/operations of the OPA would occur in the future. Additionally, to assist in its development, the OPA was initially placed in the Office of the City Administrative Officer (CAO) to receive administrative support and assistance. On July 1, 2017 the OPA became a separate City Department.

The OPA has developed a very small, highly experienced technical staff as a core group to address the intricacies of the water and electricity utility industries, including their cost of operations and complex rate structures. The OPA has successfully released numerous reports, reviews, and comments on a myriad of water and electricity utility issues (the entire list of the documents is available at the OPA's City web site at <http://opa.lacity.org>). Our efforts are dependent on the Department of Water and Power's plans, schedules and staff availability and frequently require multiple fiscal years to complete. This necessitates multiple year funding. We sincerely appreciate the support that the City Council and Mayor have provided in the past in our successful efforts.

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The 2019-20 Proposed Budget provides for the continuation of the current level of resources. However, we believe it is now necessary for a modest increase in the OPA's "footprint" to further fulfill our Charter mandated responsibilities. We requested funding in the 2019-20 budget for two additional positions (\$ 193,191, six months funding) and additional contractual services funding, (\$450,000) that were, unfortunately, not approved. One of the requested positions, at a senior level, would provide additional capabilities to delve into technical aspects, applicability, regulatory/legislative requirements, the impact of utility rate development on the customer, and expand our ratepayer advocate services. Our request also proposed the creation of an additional paygrade in this existing classification. The second position was requested to assist in monitoring revenue adjustments, de-coupling mechanisms, cost "pass throughs" and other provisions, including a mid-term review that is authorized in the City's 2016 utility rate ordinances. The additional contractual services funds would be used to monitor and support the 2016 utility rate ordinance and 2019 interim utility rate comprehensive update, reviews of renewable proposals and related studies, and a potential 2020 comprehensive utility rate review.

Subsequent to the submission of our proposed budget request, additional issues have arisen that could impact the OPA's 2019-2020 budget. These issues include: 1) a recent change in the City's plans for DWP's Scattergood and other coastal generation facilities, 2) a recent change by the City in the plans for renewable energy sources, 3) concerns raised by a Los Angeles Superior Court judge regarding the DWP Billing System class action settlement agreement, and 4) the slow progress in addressing overall DWP IT issues. We do not know the impact of these issues, or yet appreciate the possible secondary consequences. Due to the magnitude and potential duration of these issues, input from the OPA would be appropriate, along with additional funding to support these reviews. We will advise the Mayor and City Council once additional information is available.

All budgeted costs incurred by the OPA are reimbursed by the Department of Water and Power. Any unexpended budgeted funds at the end of the fiscal year will revert to the Reserve Fund and are not subject to reimbursement by DWP.

We urge favorable consideration of these items by your Committee. I am readily available for you or your staff for any questions or assistance.

Regards,



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