

ENERGY, CLIMATE CHANGE, AND ENVIRONMENTAL JUSTICE COMMITTEE REPORT relative to proposed Agreement Nos. 47478A-8 and 47478B-8 with Navigant Consulting, Inc. (Navigant Consulting) and PA Consulting Group, Inc. (PA Consulting), respectively, for rate consulting services and marginal cost study and benchmarking services.

Recommendation for Council action:

CONCUR with the Board of Water and Power Commissioners' (Board) action of July 24, 2018, Resolution No. 019-010, authorizing the following Agreements:

- a. Agreement No. 47478A-8 with Navigant Consulting for rate consulting services for a term of three years and an optional three-year extension and a cost not to exceed \$3,307,083.
- b. Agreement No. 4748B-8 with PA Consulting for marginal cost study and benchmarking services for a term of three years with an optional three-year extension and a cost not to exceed \$1,272,142.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that approval of the proposed Agreements will impact the Los Angeles Department of Water and Power (LADWP) Water Revenue Fund and LADWP Power Revenue Fund. There is no fiscal impact to the City General Fund.

Community Impact Statement: None submitted.

TIME LIMIT FILE - SEPTEMBER 24, 2018

(LAST DAY FOR COUNCIL ACTION - SEPTEMBER 21, 2018)

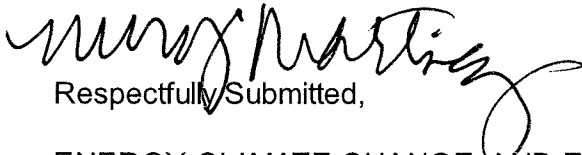
Summary:

On August 7, 2018, your Committee considered June 28, 2018 CAO and July 25, 2018 Board reports and Resolution No. 019-010 relative to proposed Agreement Nos. 47478A-8 and 47478B-8 with Navigant Consulting and PA Consulting Group, respectively, for rate consulting services and marginal cost study and benchmarking services. According to the CAO, approval of the proposed agreements are necessary for conducting an interim rate review (IRR) which includes a marginal cost study and a benchmarking study. The IRR is required in accordance with the Water Rate Ordinance (Ordinance No. 184130) and the Electric Rate Ordinance (Ordinance No. 184133; collectively referred to as "Rate Ordinances"), effective April 15, 2016.

These studies will enable the LADWP to realign its financial forecasts with actual conditions and to communicate any issues to City Council, Board, and the Office of Public Accountability (OPA). It is noted that a cost of service study is required by the Rate Ordinances prior to proposing any change to the Base Rates after June 30, 2019. In accordance with the Rate Ordinances, the LADWP and the OPA shall each perform an IRR and submit their reports separately to the Board and City Council's Energy, Climate Change and Environmental Justice (ECCEJ) Committee.

The LADWP shall provide its IRR by February 1, 2019, and the OPA shall provide its IRR by April 1, 2019. Subsequently, the LADWP Board is required to take action by resolution whether or not to order the LADWP to prepare possible revisions to the Rate Ordinances for consideration by the DWP Board no later than June 30, 2019. Additionally, following receipt of the IRR, if any of the base rate revenue targets calculated for Fiscal Year (FY) 2018-19 and FY 2019-20 varies from the Base Rate Revenue Target stated in the Rate Ordinances, the Board is required to take action by resolution to: increasing or decreasing the Base Rate Revenue Target by an amount not to exceed two-percent of the existing target; or maintain the existing Base Rate Revenue Target without change.

After consideration and having provided an opportunity for public comment, the Committee moved to recommend concurring with the LADWP. This matter is now submitted to Council for its consideration.



Respectfully Submitted,

ENERGY, CLIMATE CHANGE, AND ENVIRONMENTAL JUSTICE COMMITTEE

MEMBER VOTE

MARTINEZ:

KORETZ:

KREKORIAN:

CEDILLO:

O'FARRELL:

ARL

8/7/18

-NOT OFFICIAL UNTIL COUNCIL ACTS-