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OPA Update for Neighborhood Councils' MOU Committee

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Summary

- ❑ Office
 - Ordinance
 - Staffing
 - Outreach and office location
- ❑ Power Rates Report
- ❑ Coal Elimination and IRP
 - Navajo
 - IPP
- ❑ Water Reliability Plan
- ❑ Strategic Plan and IRP



OPA Implementing Ordinance #182494 CF11-0452-S2

❑ Charter: public independent analysis

❑ Components

➤ Legislative findings

➤ Mission of OPA

- ✓ Improve performance of DWP via analysis and reporting
- ✓ Information and recommendations to DWP Board, Council, Mayor, NC's, and public
- ✓ Information and advice, not direction

➤ Independence of OPA

- ✓ Broad independence, with support not compromising independence
- ✓ Hoteling

➤ Authority of executive director

- ✓ Mirror of Charter
- ✓ Expend funds, including award contracts
- ✓ Clarification on authority to designate exempt AGM positions

➤ Reporting obligations

➤ Consumer protection and complaint procedures

- ✓ Discretion to review
- ✓ Coordinate with Controller, Ethics Commission, and others



Progress on Quantitative Report Back Items is Necessary Before Major Rate, Contract, and Policy Actions

- Each item should help to show how selected factors may impact power rates for all or some classes of customers.

#	Cost Related	Rate Impact	Description
2a	Yes	To be determined	Conduct negotiations with labor to find common ground that allows for greater flexibility to contract out effectively and bring salaries and benefits closer to other power utility providers.
2b	No	None / Revenue Neutral	Reevaluate and consider replacing the surcharge-based restructuring approach with fully restructured permanent rates once legal considerations allow.
2c	No	None / Revenue Neutral	Conduct a new formal cost of service study in order to prepare for future power rate restructuring.
2d	Yes	Minor/ Moderate	Conduct a benchmarking assessment to review the cost per project for the repowering program and the Power Reliability Program to ensure cost reasonableness.
2e	Yes	Moderate	Identify opportunities to contract out and explore the potential savings, including the benchmarking of staffing and outsourcing levels against utility peers.
2f	Yes	Minor	Review overtime expenses allocation, as well as the Department's contractual requirements that have an impact on overtime.
2g	Yes	Minor / Moderate as to reducing rate volatility	Complete a rigorous review of the Department's hedging plan to lock in low fuel prices.
2h	Yes	Minor	Establish a plan for energy efficiency that maintains expenditure levels at an achievable and cost effective level.
2i	Yes	Moderate	Seek greater Departmental efficiencies by pursuing process improvement efforts across a range of areas and practices.
2j	Yes	Status report only	Submit a semi-annual report to the Mayor and Council regarding the status of the renewable portfolio Standards program and its impact on rates



DWP IRP Analysis of Rate Impacts

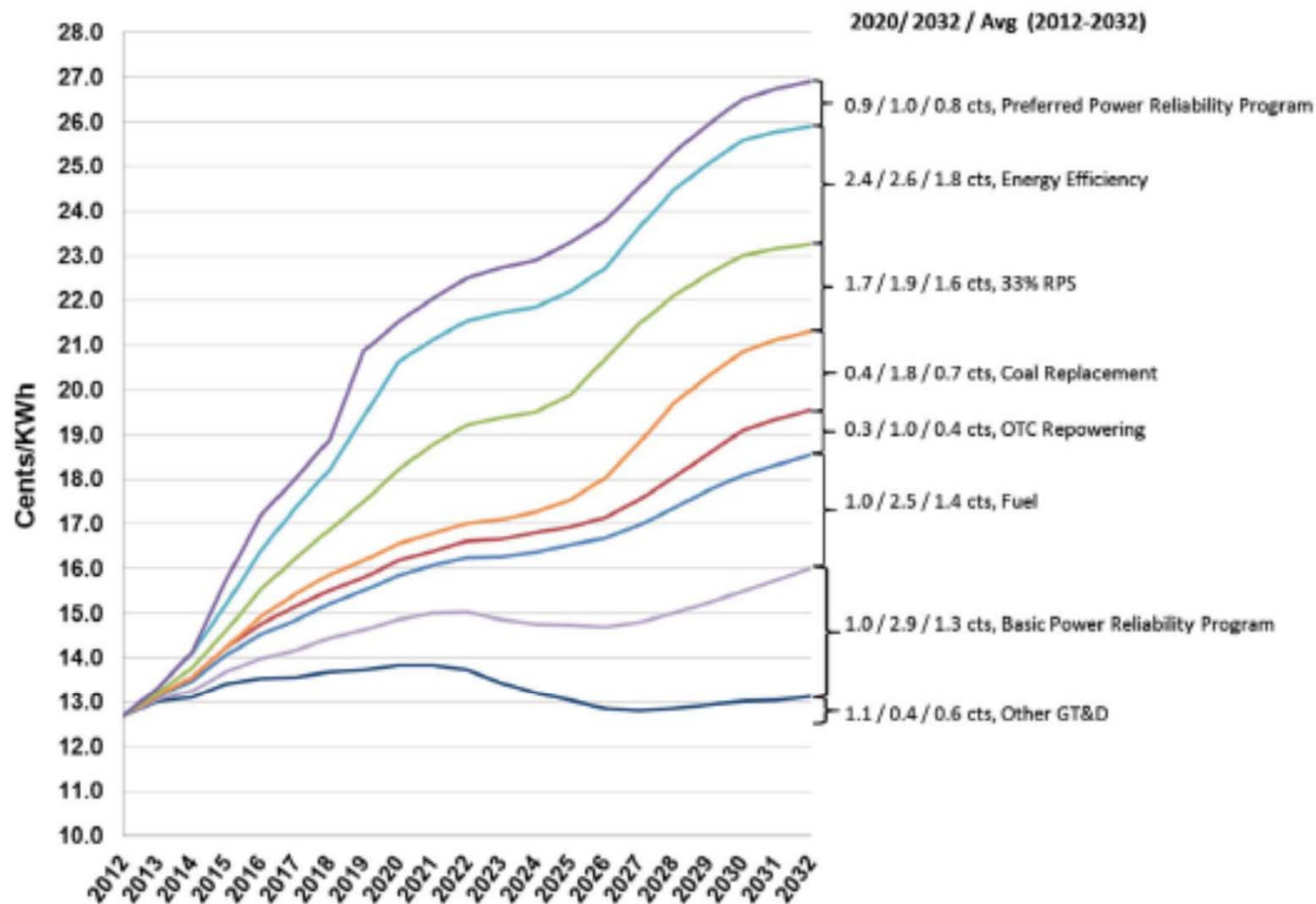
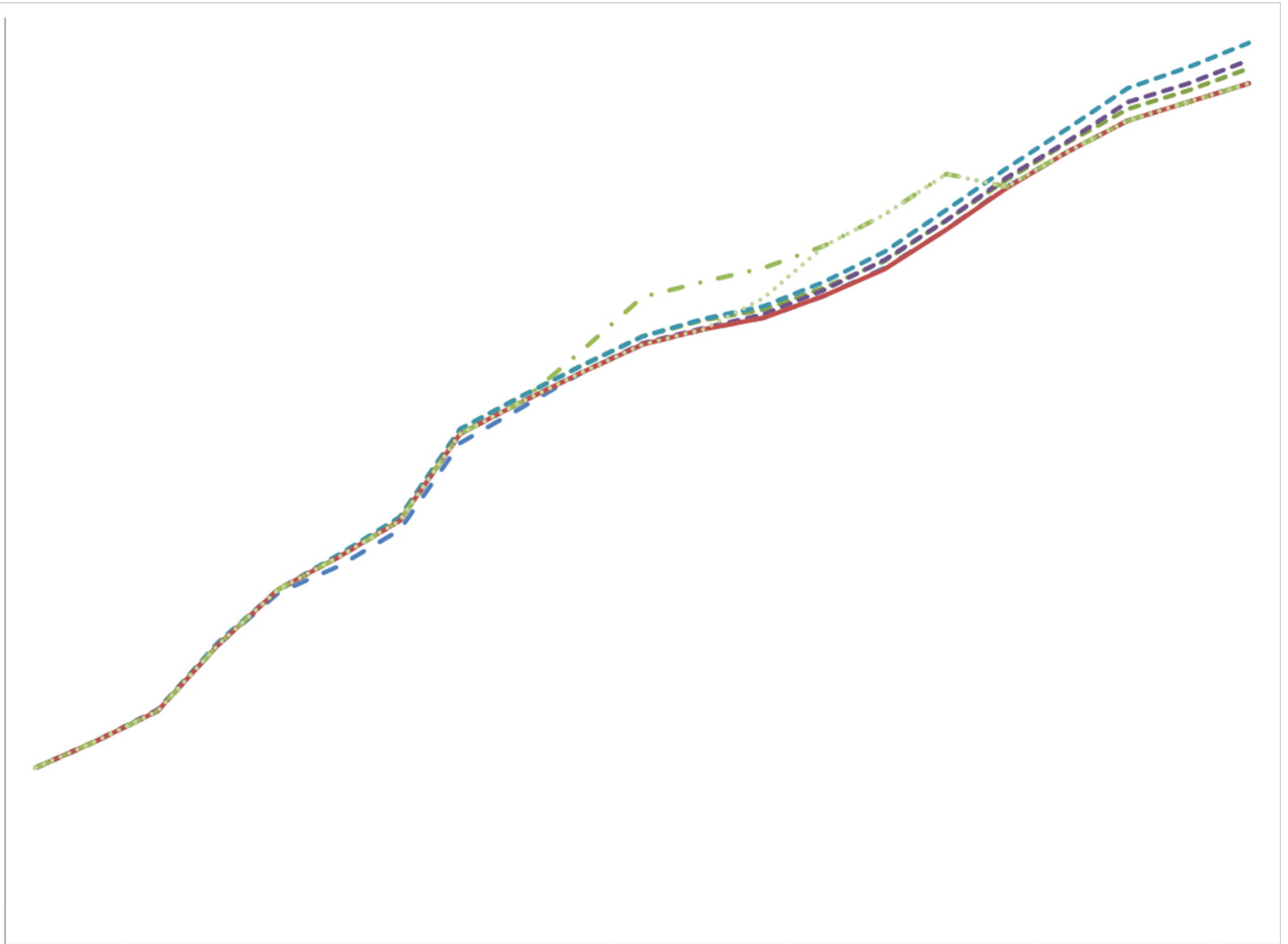


Figure ES-8. Total retail electric rate composite by fiscal year, based on the 2012-13 budget forecast (Case 5).



Total Power System Cost (Millions)

\$7,000
\$6,500
\$6,000
\$5,500
\$5,000
\$4,500
\$4,000
\$3,500
\$3,000
\$2,500
\$2,000



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Base EE & High DG	\$2,961	\$3,105	\$3,270	\$3,638	\$3,919	\$4,102	\$4,313	\$4,787	\$4,963	\$5,129	\$5,285	\$5,371	\$5,432	\$5,546	\$5,695	\$5,910	\$6,133	\$6,328	\$6,514	\$6,613	\$6,733
Advanced EE & Base DG	\$2,961	\$3,105	\$3,269	\$3,622	\$3,922	\$4,095	\$4,293	\$4,761	\$4,929	\$5,091	\$5,246	\$5,332	\$5,403	\$5,536	\$5,697	\$5,909	\$6,140	\$6,336	\$6,549	\$6,649	\$6,777
Advanced EE & High DG	\$2,961	\$3,101	\$3,265	\$3,632	\$3,924	\$4,111	\$4,313	\$4,787	\$4,963	\$5,129	\$5,288	\$5,380	\$5,450	\$5,577	\$5,742	\$5,965	\$6,192	\$6,407	\$6,625	\$6,735	\$6,870
Case#1- Navajo 2019, IPP 2027	\$2,961	\$3,105	\$3,269	\$3,619	\$3,901	\$4,047	\$4,242	\$4,708	\$4,899	\$5,091	\$5,243	\$5,324	\$5,386	\$5,506	\$5,652	\$5,863	\$6,091	\$6,282	\$6,452	\$6,553	\$6,650
Case#2- Navajo 2015, IPP 2027	\$2,961	\$3,105	\$3,269	\$3,619	\$3,922	\$4,095	\$4,293	\$4,761	\$4,929	\$5,090	\$5,242	\$5,322	\$5,384	\$5,505	\$5,651	\$5,862	\$6,089	\$6,281	\$6,451	\$6,551	\$6,649
Case#3- Navajo 2015, IPP 2020	\$2,961	\$3,105	\$3,269	\$3,619	\$3,922	\$4,095	\$4,293	\$4,761	\$4,929	\$5,210	\$5,498	\$5,581	\$5,654	\$5,771	\$5,945	\$6,163	\$6,093	\$6,281	\$6,451	\$6,551	\$6,649
Case#4- Navajo 2015, IPP 2023	\$2,961	\$3,105	\$3,269	\$3,619	\$3,922	\$4,095	\$4,293	\$4,761	\$4,929	\$5,090	\$5,242	\$5,322	\$5,490	\$5,771	\$5,945	\$6,163	\$6,093	\$6,281	\$6,451	\$6,551	\$6,649

DWP's Coal Elimination Strategy

- ❑ Bottom line: OPA supports the strategy, with a few cautions
- ❑ Notes on Climate Change and Coal Elimination
 - Climate change is a key world problem
 - Directly, LADWP's total CO2 emissions are only 0.04% of world CO2 emissions
 - DWP and California, however, need to play a leadership role in showing CO2 emission reductions can be done in a cost effective manner
- ❑ DWP's first steps, with the Navajo schedule, contribute to the goal of cost effective solutions (~\$50 million/yr)
- ❑ The DWP strategy for the 2020's needs more creative solutions to reduce the cost impacts (~\$250 million/yr)



2012 LA DWP IRP Coal Scenarios: Cost of CO₂ Reduction

