

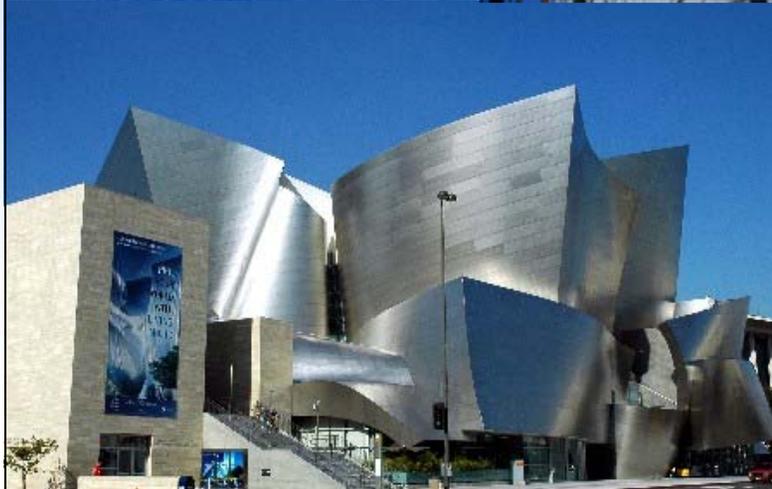
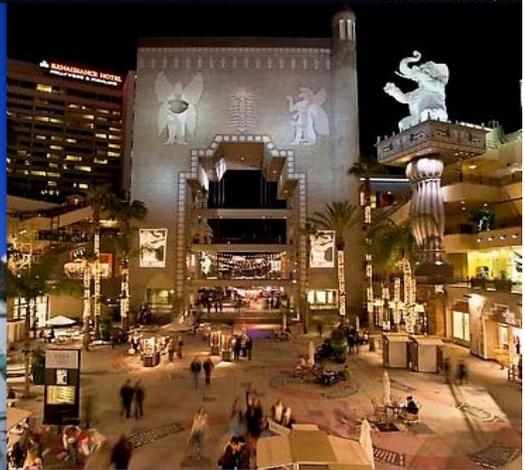


LA's Ratepayer Advocate

For the Urban Water Institute's Spring 2013 Conference "Can We Impact the Costs of Water & Power?"

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February 21, 2013



Path to Greater Transparency: Office of Public Accountability / Ratepayer Advocate

- ❑ Concept of a LADWP Ratepayer Advocate had been discussed for about a decade
- ❑ The voters of the City of Los Angeles created the Office of Public Accountability/ Ratepayer Advocate in March 2011, with a 78% vote in favor of Charter Amendment I.
 - “Office of Public Accountability (OPA) shall provide public independent analysis of department actions as they relate to water and electricity rates.”
 - The OPA/Ratepayer Advocate (RPA) is a separate Office of the City of Los Angeles, and independent of the Department of Water & Power (DWP).
 - Specific budget minimum specified in Charter
 - ✓ “not less than 0.025 percent of department annual revenues from the sale of water and electric energy”
- ❑ RPA appointment process:
 - RPA search committee appointed by Mayor, Council President, and the Chair of the Council’s Energy and Environment Committee in August 2011.
 - First RPA appointed February 2012



Path to Greater Transparency: Unlike other Ratepayer Advocates

- ❑ What it is not
 - Not a court-like trial
 - Not an audit
 - Not an inspector general
 - Not the management or the decision-maker

- ❑ City review processes
 - DWP Board
 - City Council
 - Mayor
 - Controller
 - City Attorney
 - Analysis: CAO, CLA



Path to Greater Transparency: Potential Areas for Review

□ Rate review:

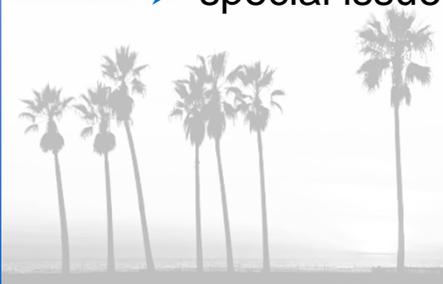
- revenue requirements (total revenues needed in a year to meet financial requirements)
- rate structure (who pays for what)

□ Planning:

- annual budget
- project / program need
 - ✓ certificate of need or certificate of public convenience & necessity
- integrated resource / long-term plans

□ Other:

- complaint review
- special issues



Path to Greater Transparency: Rate Review Process

❑ Old Rate Review Process



❑ New Rate Review Process



Path to Greater Transparency: Rate Review Timeline -- Example

- ❑ California Public Utilities Commission rate case timeline example
- ❑ The DWP has already provided extensive background information to the OPA on the DWP's proposed water and power budgets, financial plans, and rate proposals.
 - Background information provided starting in March and April
 - DWP, OPA, and City discuss 5 year versus 2 or 3 year increase in March
 - DWP held community meetings April through June regarding revised rate proposal, continued from the summer of 2011.
 - Detailed power rate proposal released about May 1
 - Draft power ordinance on June 1
 - Detailed water rate proposal June 6
 - Draft water ordinance of June 21



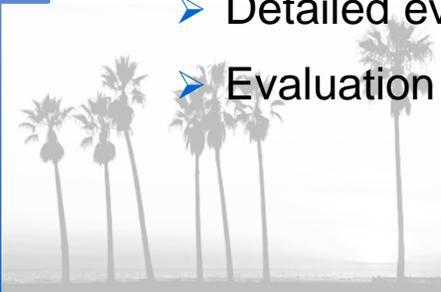
Rate Review Timeline (Continued)

- ❑ OPA released the review of the DWP rate proposals in August.
 - Power rate review summary released on August 22
 - Power rate review will include:
 - ✓ OPA “Power Point” Summary report
 - ✓ PA Consulting detailed report, released on web August 27
 - Water rate proposal and review deferred
- ❑ OPA to held public workshops
 - Regional meetings with neighborhood groups
 - Business customer sessions
- ❑ DWP Board met on September 12 and approved the power rate proposal
- ❑ City Council Energy & Environment Committee hearings on September 19
- ❑ First City Council vote week of September 24
- ❑ Rates effective in November



Path to Greater Transparency: Results to Date

- ❑ Driven by demands for “rate advocacy” over the last decade
- ❑ Building on City Administrative Officer / Chief Legislative Analyst efforts supported by PA Consulting since 2010
- ❑ September power rate review was the first major, formal step in achieving the goals of greater transparency in the “public independent analysis of DWP actions as they relate to water and electricity rates” through the OPA
 - Continuing collaboration of CLA/CAO, now with the OPA, supported by PA Consulting
 - Input from Council, Mayor, Neighborhood Councils, and the public
 - Complete cooperation by LADWP management, with an unprecedented level of openness
- ❑ Rate review results
 - Rate changes cover 2 years rather than 5 years
 - Better understanding of LADWP rate needs and the drivers
 - Detailed evaluation of financial plans, links to revenue requirements, and rates
 - Evaluation of costs and benchmarking of key costs



Current Status of OPA

- Administrative
 - Enabling ordinance
 - Staffing

- Recent review activities
 - Follow-up on rate review recommendations
 - Key program / contract reviews
 - ✓ Large solar projects
 - ✓ Feed-In Tariff program
 - Calendar for 2013

- Where can the Ratepayer Advocate have an impact?

