

Here's What LA's Independent Ratepayers Advocate Should Be Doing ... Or Not!



LA WATCHDOG

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What is the role and responsibility of the independent Ratepayers Advocate? In previous articles, the role of the Ratepayers Advocate was to review and analyze the operations, finances, and management of the Department of Water & Power on a timely and continuous basis. In its June 10, 2010 memo, the DWP limited the Ratepayers Advocate review to water and power base rates and rate related matters and recommended a budget of \$300,000. This was not well received by the Neighborhood Councils or the City Council. (Link)

[[[http://citywatchla.com/index.php?option=com_content&task=view&id=3664]]] Furthermore, the DWP Board of Commissioners rejected this memo and requested DWP management redefine the scope and funding of the Ratepayers Advocate.

But rather than attempt to define the specific role and responsibilities, it is easier to define what is NOT in the Ratepayers Advocate job description. Everything else is fair game.

The Ratepayers Advocate would not determine rates nor would s/he make management decisions or establish policy. However, the Ratepayers Advocate would have the right to review, analyze, and advise with respect to these matters.

Nor would the Ratepayers Advocate have subpoena powers, assuming of course that it had the full cooperation of the DWP, the support of its people, and access to information.

Nor would the Ratepayers Advocate have the rights of an Inspector General to prosecute the DWP or its employees for fraud, waste, abuse, or malfeasance. However, the Ratepayers Advocate would have the right to comment on any such matters and listen to whistleblowers.

There are a number of areas in addition to base rates, pass-throughs, and quality of service that deserve the attention of the Ratepayers Advocate given their impact on ratepayers.

For example, DWP is currently embarked on developing a Strategic Plan for the entire organization that will involve the investment of \$50 to \$60 billion over the next ten years. It is also developing its Integrated Resources and Urban Water Management Plans. Given these massive expenditures and their impact on rates, it makes sense for the Ratepayers Advocate to review and analyze these plans on behalf of the Ratepayers, the City Council, and the Mayor.

The Ratepayers Advocate would also advise on a number of very costly regulatory requirements such as AB 32 (Greenhouse Gas Emissions) and Once Thru Cooling. And does it make sense for DWP to aggressively try to mitigate the \$700 million of cap and trade payments to investor owned utilities such as Edison and Pacific Gas & Electric by having the Legislature waive some of the requirements of AB 32 as they relate to DWP, as suggested by David Nahai in October, 2008.

The Ratepayers Advocate could also review the status of the recommendations of the charter

mandated Industrial, Economic, and Administrative Survey that was completed in February, 2009. Then it would be able to analyze the efficiency of DWP compared to other comparable utilities.

It would also allow the Ratepayers Advocate to review DWP's labor rates and compare them to other utilities and the City. The Ratepayer Advocate would also advise on any labor contracts.

The Ratepayers Advocate would review and analyze various other transactions and projects, such as the proposed sale of DWP Headquarters, smart meters, the Fiber Optic network, and the \$1 billion proposal for underground transmission lines along the Los Angeles River, as well as other non-core, pet projects promoted by the Mayor or members of the City Council.

Likewise, the Ratepayers Advocate may analyze and advise regarding the DWP Retirement System and its \$2.4 billion unfunded liability.

The Ratepayers Advocate would also review the impact of various environmental related projects and initiatives, whether it be Shortage Year Water Rates, recycled water, the Rate Restructuring Plan, and the programs for energy efficiency, demand side management, and renewable energy.

A major concern is that the DWP, the Mayor, City Hall and their cronies will attempt to emasculate the Ratepayers Advocate by either co-opting the process or through backroom maneuvers.

Therefore, it is important the residential and commercial Ratepayers and the Neighborhood Councils oversee this process, whether through the Neighborhood Council DWP Memorandum of Understanding Oversight Committee, the DWP Committee, active and increased participation by actual Ratepayers in the DWP sponsored Ratepayer Advocate Advisory Group, or through contacting every member of the City Council on a continuous basis.

While most commercial and residential Ratepayers realize that the cost of water and power will be increasing due to the increasing cost of fuel and imported water, increased environmental and regulatory requirements, and increased labor costs and benefits, it is important that the Ratepayers not only receive quality service at a fair price, but believe that is the case.

And it is also important that DWP actively cooperate with the Ratepayers and Neighborhood Councils in this process. We do not need more controversy. DWP and the City desperately need to put one in the win column.

Note: On September 7, there will be a meeting in Mar Vista to discuss the Ratepayers Advocate and the DWP Reform Ballot Measures. Ratepayer participation and input is very important.

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CityWatch
Vol 8 Issue 66
Pub: Aug 20, 2010

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Want an Independent Ratepayers Advocate? Show Me the Money!



PROPER FUNDING CRITICAL

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As a result of the very expensive and embarrassing ECAF Fiasco, there is a general agreement on the need for a truly independent Ratepayers Advocate to oversee the operations, finances and management of our less than transparent Department of Water & Power on a timely and continuous basis. However, the role, scope, and funding of the Ratepayers Advocate needs to be determined before it is placed on the March 2011 ballot.

To insure independence and sufficient resources, including access to third party expertise, the Ratepayers Advocate must be properly funded on a long term basis. In the past, a Councilman suggested that the Ratepayers Advocate be a voluntary position. Unfortunately, we cannot afford free anymore. It is too expensive.

On June 10, DWP proposed funding of \$300,000 for the Ratepayers Advocate. This would pay for two "experienced" people as well as \$100,000 for Administrative Fees and Contract Services. This proposal was so insulting to the City Council and Neighborhood Councils that the DWP Board of Commissioners referred the proposal back to DWP's management.

Furthermore, DWP management, in another attempt to emasculate the Ratepayers Advocate, recommended that the Ratepayers Advocate be established in the office of the City Administrative Officer and that any recommendations, reports, finding or other advisements be provided concurrently to the CAO and the DWP Board of Commissioners!

The June 22 CityWatch article ([link](#)), DWP Ratepayer Proposal Insults Councils & Ratepayers, No Shortage of Arrogance, provides some additional insight to DWP's proposal.

Some have suggested that the Ratepayers Advocate start off slowly and gradually build its staff and capabilities. But we do not have the luxury of time. In October, DWP will be requesting a substantial rate increase in water and power base rates and planning additional increases in the Energy Cost Adjustment Cost Factor.

In addition, DWP is the beginning stages of developing its Strategic and Integrated Resources Plans (the "Plans") that involve the investment of \$50 to \$60 billion over the next ten years. The Plans will have a dramatic impact on rates.

Given the immediacy of these rate increases and the Plans, we need to consider an interim Ratepayers Advocate or the retention of a competent consultant to review and analyze these proposals, not unlike the retention of PA Consulting in connection with the Energy cost Adjustment Factor and the Rate Restructuring Plan.

In trying to determine the funding of the Ratepayers Advocate, "you get what you pay for." We have an excellent example in comparing the Huron Consulting's Measure B performance (or lack thereof)

to that of PA Consulting with respect to the ECAF.

The Ratepayers Advocate requires experienced individuals who are knowledgeable about water and power utilities, rate setting, and the related engineering and technical aspects; have a thorough understanding of utility accounting and finances; and have experience with large, sophisticated organizations.

These individuals will also need to have the ability to work in a complex political environment and serve as a resource not only to the Ratepayers, but to the City Council and the Mayor when they are considering different policy alternatives.

The Ratepayers Advocate will also need access to outside third parties who have more detailed knowledge and experience about specific topics.

The Ratepayers Advocate is not a cheap proposition as was proposed by DWP. While the operating budget needs to be determined, the initial budget should be equal to one tenth of one percent (0.1%) of annual revenues of \$4.2 billion, or \$4.2 million.

While this is a considerably larger sum than proposed by DWP, it is not out of line given the DWP has assets that exceed \$20 billion, revenues in excess of \$4.2 billion, annual operating profits (before interest and depreciation) in excess of \$1.4 billion, and a ten year investment plan of \$50 to \$60 billion. DWP is also the largest source of revenue based on the 8% Transfer Fee and the 10% City Utility Tax.

Furthermore, for the average Ratepayer, it costs about a nickel (5¢) a month in our power bills and another nickel on our water bill. It is an increase of a 0.1% in our water and power bills, which is miniscule compared to the 28% increase in the ECAF proposed by Mayor Villaraigosa this spring.

This is a small price for the Ratepayers to spend to achieve a better understanding of our Department of Water & Power and how it is spending our money.

It is also the first step in developing a transparent organization and restoring Los Angeles' trust and confidence in the LADWP.

- RELATED-"LA Council Makes Bid to Assert More Control Over DWP"-Rick Orlov (Daily News)

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CityWatch
Vol 8 Issue 64

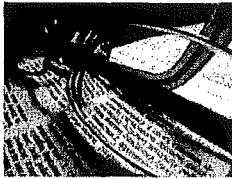
Pub: Aug 6, 2010

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Transparency Key to an INDEPENDENT Ratepayers Advocate

LA WATCHDOG

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The most important aspect to insuring the independence of the Office of the Ratepayers Advocate is that it has the trust and confidence of the Ratepayers, the Neighborhood Councils, the City Council, and other constituencies.

And the building of that trust and confidence starts NOW. This will require that establishment of the Ratepayers Advocate be done in an open and transparent manner with the participation of the Neighborhood Councils and residential and commercial Ratepayers. This open process will be needed to protect the Ratepayers Advocate from undue political and bureaucratic pressures, to provide the proper level of funding, and to define its role to insure the proper oversight of the operations, business, finances and management of the Department of Water & Power on a timely and continuous basis.

Unfortunately, the DWP wants to hijack the process. It unilaterally established the Ratepayers Advocate Advisory Panel, consisting of two lobbyists from the business community, an environmentalist, and a member of the Neighborhood Council DWP Oversight Committee as well as Cecilia Weldon, the Chief Administrative Officer of DWP.

However, Stuart Waldman, the President of the Valley Industry & Commerce Association, has a blatant conflict of interest: Lee Kanon Alpert, the President of the politically appointed, serve at will DWP Board of Commissioners, is on the Board of Governors of VICA.

But this did not deter the Sacramento trained Waldman, a man with multiple agendas, from pushing for a limited, underfunded Ratepayers Advocate that was outlined in a June 10, 2010 memorandum. However, this memo was rejected by the Board of Commissioners in July. ([Link](#))

Furthermore, DWP's plan to co-opt the process and to limit the role and funding of the Ratepayers Advocate is also seen in the agenda that was concocted by DWP for the first public meeting on August 12 and the subsequent, prearranged press release that was handed to the participants at the end of the meeting, leaving little time for adequate comments.

This DWP led panel even had the unmitigated gall to assume that it would select the Executive Director of the Office of the Ratepayers Advocate!

DWP's delaying strategy and utter disdain for the Ratepayers and City Council is also evidenced by the fact that the next meeting of the Advisory Panel is scheduled for September 23, six weeks after the first two hour meeting on August 12.

In the meantime, there is a DWP Reform Hearing on Tuesday, September 7 at 6 PM at the Mar Vista Recreational Center, hosted by Bill Rosendahl, where Council Members Perry, Garcetti, Smith, and Wesson will solicit input about the Ratepayers Advocate and other potential ballot measures to increase the transparency and accountability of the DWP.

It would be useful if the City Council Members would provide the Ratepayers and the public with specific feedback on the Ratepayers Advocate Term Sheet that was approved unanimously by both the DWP Committee and the Los Angeles Neighborhood Council Coalition.

What are the Council Members views on the role and funding of the Ratepayers Advocate and their thoughts on an independent Board of Commissioners consisting of Ratepayers from the residential, commercial, and multifamily communities?

One prevalent and major concern that has been expressed in many Neighborhood Councils is that the drafting of the ballot measure will go into the bowels of City Hall where it will be influenced by the DWP, the IBEW, the City bureaucracy, and other special interest lobbyists without any input from the Neighborhood Councils and residential and commercial Ratepayers.

This will put Ratepayers in a reactive situation which will have the potential to poison the potential success of the Ratepayers Advocate.

Rather, the Neighborhood Councils and the Ratepayer community need to be intimately involved in the entire process to insure an open and transparent process, including the drafting of the ballot measure to the selection of the Executive Director of the Office of the Ratepayers Advocate.

After all, DWP needs a win, not another public controversy that will further soil its reputation.

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CityWatch
Vol 8 Issue 71
Pub: Sept 7, 2010

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