Los Angeles Department of Water & Power

FY 17-18 PRELIMINARY BUDGET

DWP NC MOU Meeting

April 1, 2017

Putting Customers First

Presentation

- Budget Status
- Recent Accomplishments
- Development of FY 2017-18 Budget
- Key Expenditure Plans & Recommended Budgets
- Staffing
- Timeline & Next Steps
- Appendix – Budget Detail

Budget Status

The goal of the Preliminary FY 2017-18 Budget is to:

- Create a budget that is consistent with the LADWP Strategic Plan, approved rates, and financial plans
- Address customer-driven priorities
- Continue to emphasize cost control and fiscal discipline

The Department's goals align with the Mayor's FY 2017-18 Budget Policy directive to maximize resources, prioritize the needs of our residents, and strive for greater effectiveness.

Power Recent Accomplishments: Repowering & RPS

We've made major strides in Energy-related initiatives

Local Solar: Customer solar rebates & feed-in tariff, approx. 220 MW to date

Charge Up L.A.: Installed 2,000 new customer chargers through 2016

Scattergood GS in El Segundo: Began demolition of Unit 3 in preparation for Phase II Repowering (Units 1-2)

Springbok I/II Solar Plants and Beacon Solar, two phases: Springbok I/II and Beacon 3&4 totaling 375 MW came on line in late 2016. These are part of 650 MW of new solar projects in the Barren Ridge/Beacon area—clean energy for 250,000 customers/year

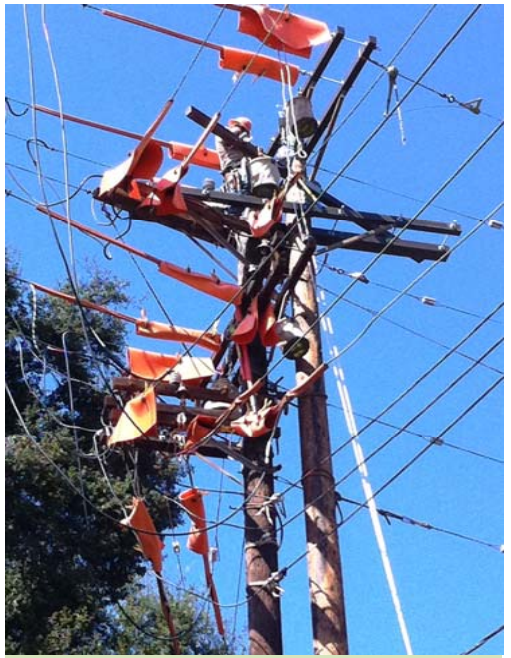
Power Recent Accomplishments: Power Sustainability & Infrastructure

We doubled investment in Energy Efficiency programs

Lighting retrofits and other efficiency solutions helped reduce energy use by 412 GWh for FY 15/16 citywide

We replaced residential and commercial infrastructure to improve system reliability

Replaced over 2,700 transformers since FY 12-13



Replaced over 4,000 poles since FY 12-13

Water Recent Accomplishments: Water Quality & Infrastructure

Installing new Earthquake Resistant Pipe.

Exceeded 2016 mainline replacement goal of 150,000 feet, installing nearly 170,000 ft. On target to reach 16/17 goal of 185,000 ft.

Water Distribution Trunkline Construction working in coordination with the LA Filtration Plant to improve disinfection of the water supply

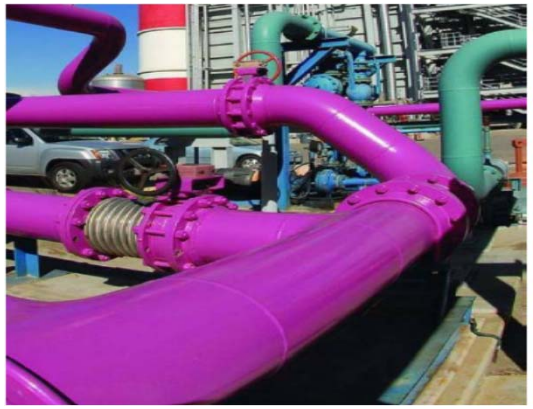
Water Recent Accomplishments: Water Supply & Sustainability

We've continued expanding the sustainable local water supply

LADWP broke-ground on the Tujunga Spreading Grounds **Stormwater** Capture Project.

Groundwater: Continued to plan and secure funding for San Fernando Groundwater Basin remediation.

Conservation: Reduced residential water use in Gallons Per Capita per Day (GPCD) from 106 (Jan 16) to 104 (Jan 17.)



Added new customers and projects to increase **Recycled Water** deliveries

Development of FY 2017-18 Budget: Customers - Mandates - Reliability

This preliminary budget, which will continue to be updated and refined over the coming weeks, includes funding to:

- Support investment in planned water and power capital infrastructure
- Accelerate reliability and increase replacement cycles
- Comply with regulatory mandates
- Support the LADWP Customer Bill of Rights commitment to prompt, consistent and easily accessible customer service
- Maintain LADWP's financial metrics and preserve our low cost of borrowing

Power Revenue Fund:
Key Expenditure Plan Summary

$ in Millions	FY 2015-16 Actual	FY 2016-17 Approved	FY 2016-17 Estimated	FY 2017-18 Proposed
OPERATING EXPENSE				
Non-Renewables	$ 1,020	$ 898	$ 985	$ 967
Renewables	302	532	485	588
CO2, Emission and Other Expenses	34	6	(39)	(14)
Total Fuel and Purchased Power	$ 1,356	$ 1,436	$ 1,431	$ 1,542
Operation and Maintenance	1,081	1,028	1,033	1,057
Property Tax	15	18	15	15
Depreciation	540	642	585	664
TOTAL OPERATING EXPENSE	**$ 2,992**	**$ 3,124**	**$ 3,064**	**$ 3,278**
CITY TRANSFER	**267**	**291**	**264**	**242**
DEBT SERVICE	**472**	**480**	**485**	**555**
INCREASE IN FUND NET ASSETS	**175**	**107**	**168**	**147**
REVENUE REQUIREMENT	**$ 3,517**	**$ 3,685**	**$ 3,665**	**$ 3,882**
TOTAL CAPITAL INVESTMENT	**$ 1,173**	**$ 1,486**	**$ 1,345**	**$ 1,591**

Notes:

1) All data based on Power Case #1

2) The annual cost associated with the Capital Investment is reflected in Debt Service and Depreciation.

Power Revenue Fund
Financial Categories Summary

Power System Reliability Program

Replace the rapidly aging backbone and infrastructure of the Generation, Transmission, Substation, and Distribution Systems; as well as the supporting technology to maintain system reliability and improve replacement cycles

Infrastructure & Repowering

Evaluates and prioritizes maintenance and replacement of major power infrastructure, including repowering the thermal units for once-through Cooling (OTC) regulatory compliance

Operating Support

Provide shared and joint services including customer service, fleet, purchasing, finance, IT and human resources

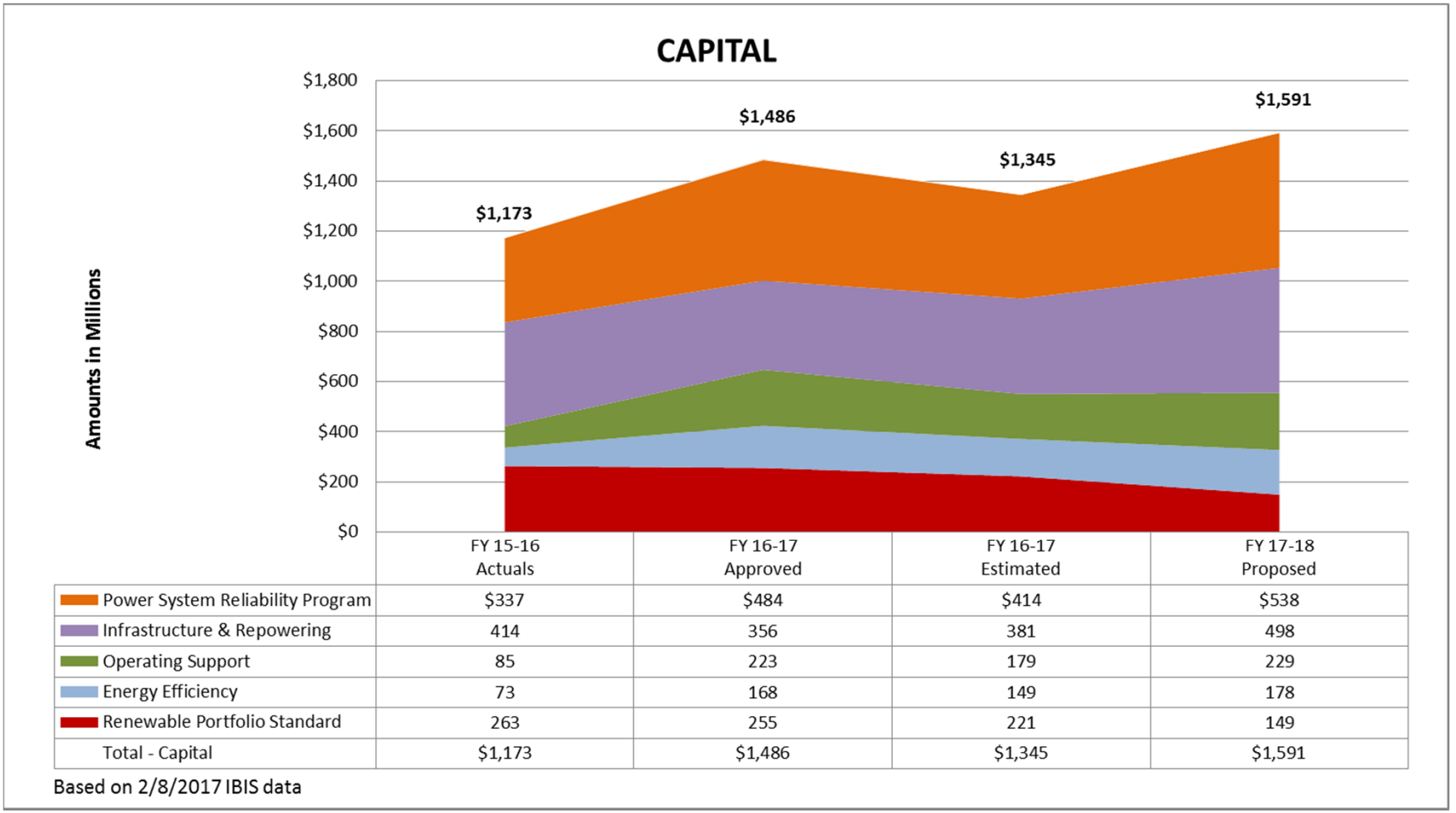
Energy Efficiency

Provide customers the opportunities to reduce energy reliance to achieve long term savings targets and have greater control over their bills

Renewable Portfolio Standard

Develop greener power resources via renewable energy and transition from coal to cleaner sustainable energy supplies

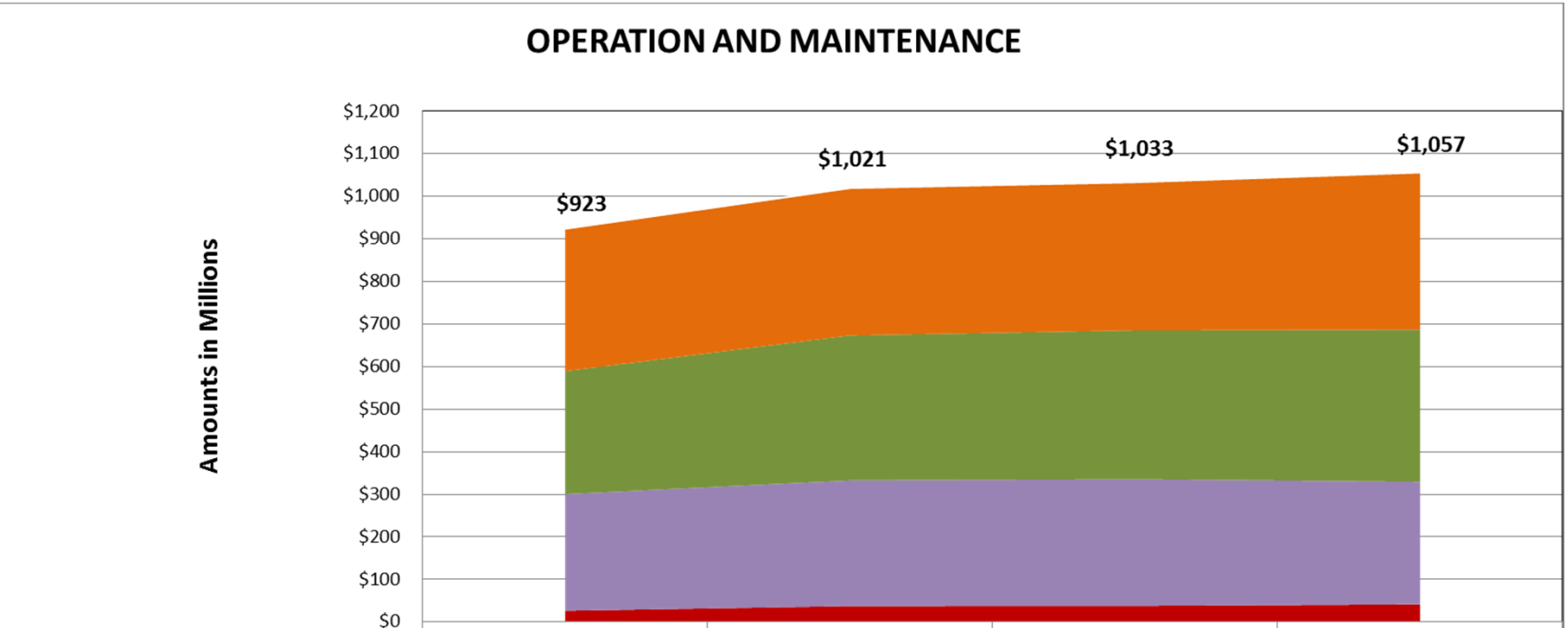
Power Revenue Fund:
FY 17-18: Capital Expenditures Trend



	FY 15-16 Actuals	FY 16-17 Approved	FY 16-17 Estimated	FY 17-18 Proposed
Power System Reliability Program	$337	$484	$414	$538
Infrastructure & Repowering	414	356	381	498
Operating Support	85	223	179	229
Energy Efficiency	73	168	149	178
Renewable Portfolio Standard	263	255	221	149
Total - Capital	$1,173	$1,486	$1,345	$1,591

Based on 2/8/2017 IBIS data

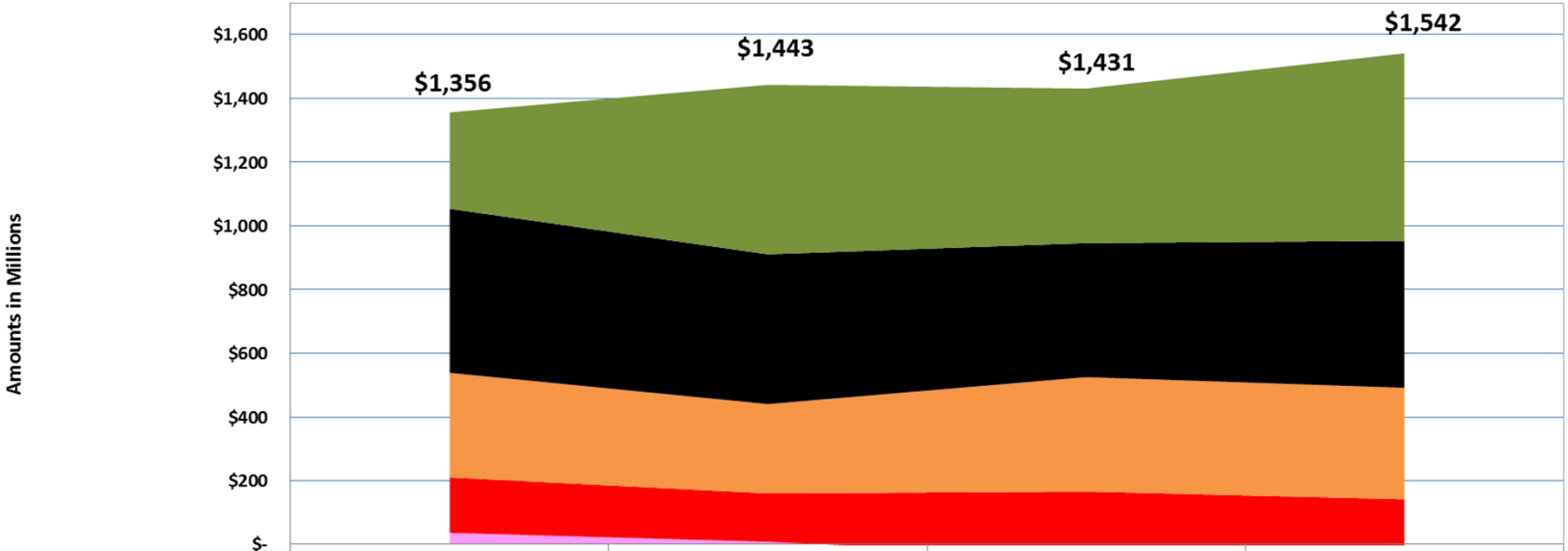
Power Revenue Fund:
FY 17-18: O&M Expenditures Trend



	FY 15-16 Actuals	FY 16-17 Approved	FY 16-17 Estimated	FY 17-18 Proposed
Power System Reliability Program	$334	$348	$348	$370
Operating Support	289	341	350	358
Infrastructure, Public Benefit & Repowering	274	295	298	288
Renewable Portfolio Standard	26	37	38	41
Total - O&M	$923	$1,021	$1,033	$1,057

Based on 2/8/2017 IBIS Data

Power Revenue Fund:
FY 17-18: Fuel & Purchased Power Trend



	FY 15-16 Actuals	FY 16-17 Approved	FY 16-17 Estimated	FY 17-18 Proposed
Renewables	$302	$532	$485	$588
Coal and Nuclear	515	470	421	461
Natural Gas	328	280	359	350
Other Non-Renewables	177	154	205	156
Net CO2 Emissions and Other	34	6	(39)	(14)
Total - FPPB	$1,356	$1,443	$1,431	$1,542

Based on Power Case #1 - Fuel and Purchased Power data including Reclass

Water Revenue Fund:
Key Expenditure Plan Summary

$ in Millions	FY 2015-16 Actual	FY 2016-17 Approved	FY 2016-17 Estimated	FY 2017-18 Proposed
OPERATING EXPENSE				
Purchase Water	$ 262	$ 198	$ 205	$ 97
Operating and Maintenance	460	472	450	480
Property Taxes	14	17	15	16
Depreciation	144	169	169	184
TOTAL OPERATING EXPENSE	**$ 880**	**$ 856**	**$ 839**	**$ 777**
DEBT SERVICE	235	280	275	302
INCREASE IN FUND NET ASSETS	154	119	142	205
REVENUE REQUIREMENT	$ 1,132	$ 1,132	$ 1,110	$ 1,121
TOTAL CAPITAL INVESTMENT	$ 668	$ 1,050	$ 943	$ 940

Notes:

1) All data based on Water Case # 2

2) The annual cost associated with the Capital Investment is reflected in Debt Service and Depreciation.

Water Revenue Fund
Financial Categories Summary

Water Quality

Develop the highest quality water through reservoir covers, bypasses, and trunkline replacement, and regulatory compliance

Water Infrastructure

Replace aging pipeline and infrastructure, including regulator and pumping stations; and maintain operations through in-place refurbishment of the entire Los Angeles Aqueduct system

Water Supply

Invest in recycled water, storm water, and groundwater to increase local supply and meet State conservation goals and Mayor's long-term ED5 goal

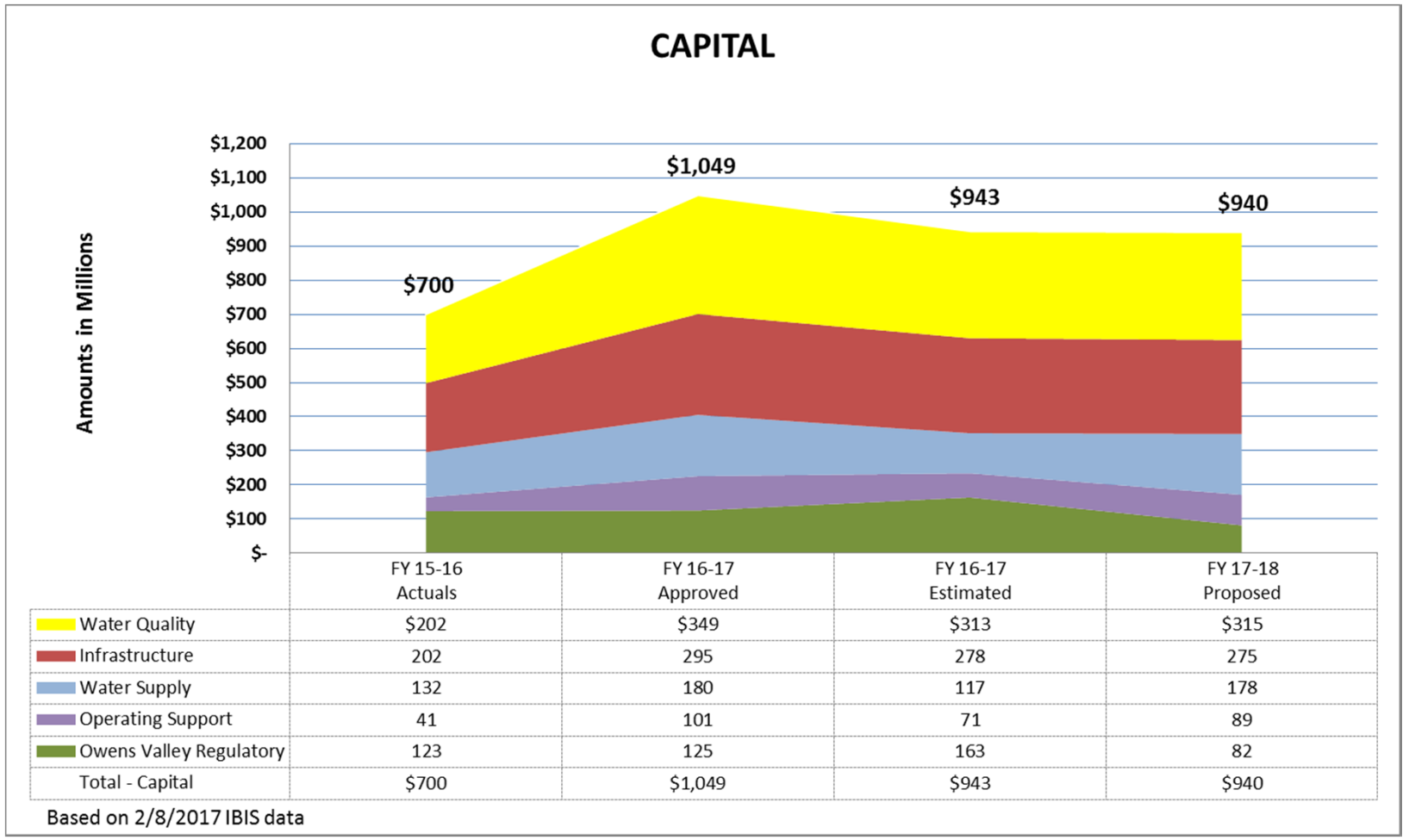
Owens Valley Regulatory Compliance

Construction continues on the Owens Lake Dust Mitigation Program- Phases 9& 10

Operating Support

Provide shared and joint services including customer service, fleet, purchasing, finance, IT and human resources

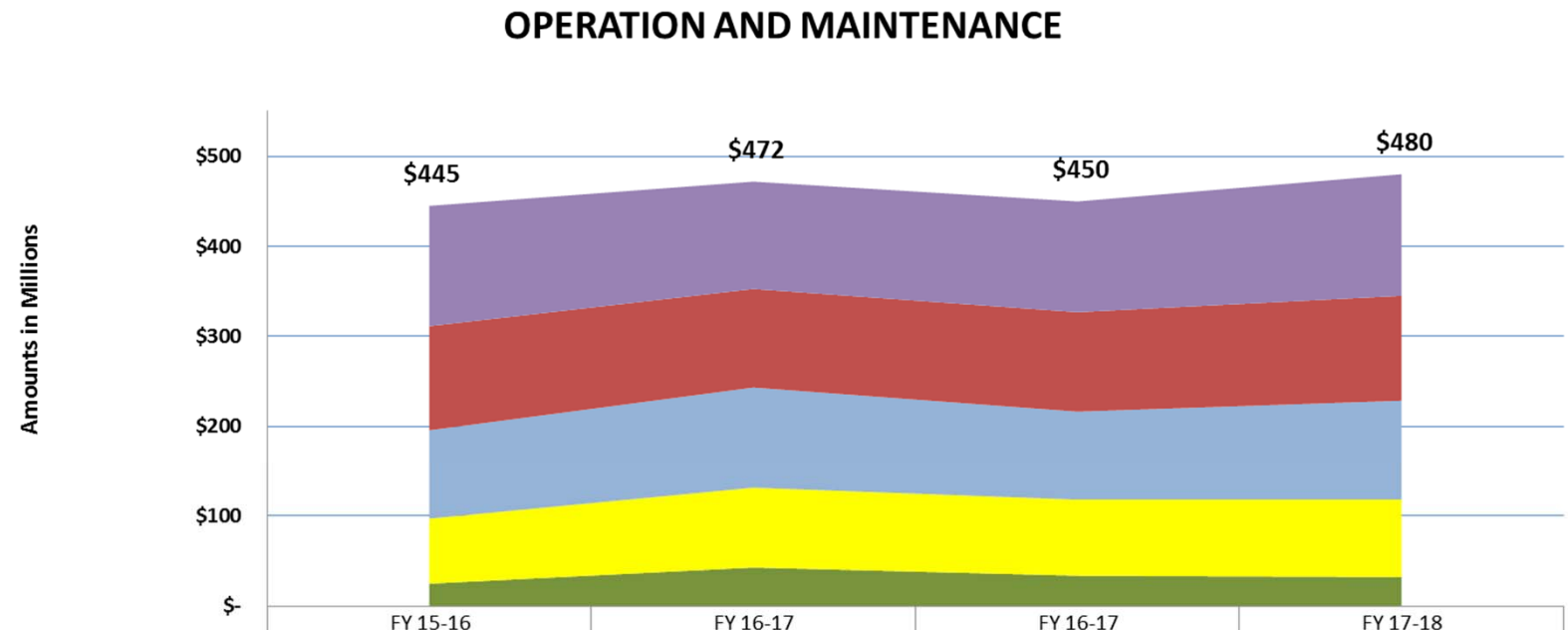
Water Revenue Fund:
FY 17-18: Capital Expenditures Trend



	FY 15-16 Actuals	FY 16-17 Approved	FY 16-17 Estimated	FY 17-18 Proposed
Water Quality	$202	$349	$313	$315
Infrastructure	202	295	278	275
Water Supply	132	180	117	178
Operating Support	41	101	71	89
Owens Valley Regulatory	123	125	163	82
Total - Capital	$700	$1,049	$943	$940

Based on 2/8/2017 IBIS data

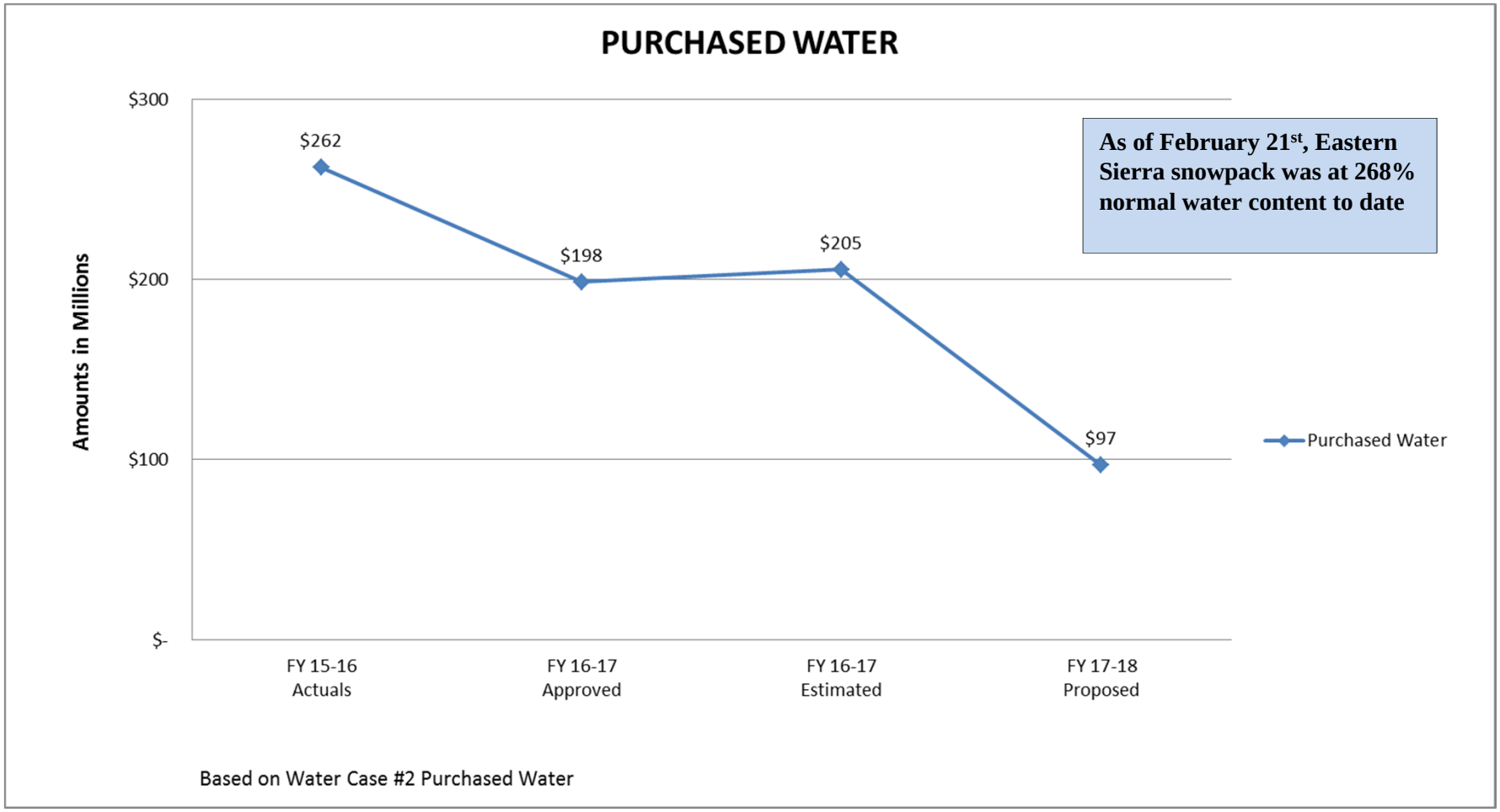
Water Revenue Fund:
FY 17-18: O&M Expenditures Trend



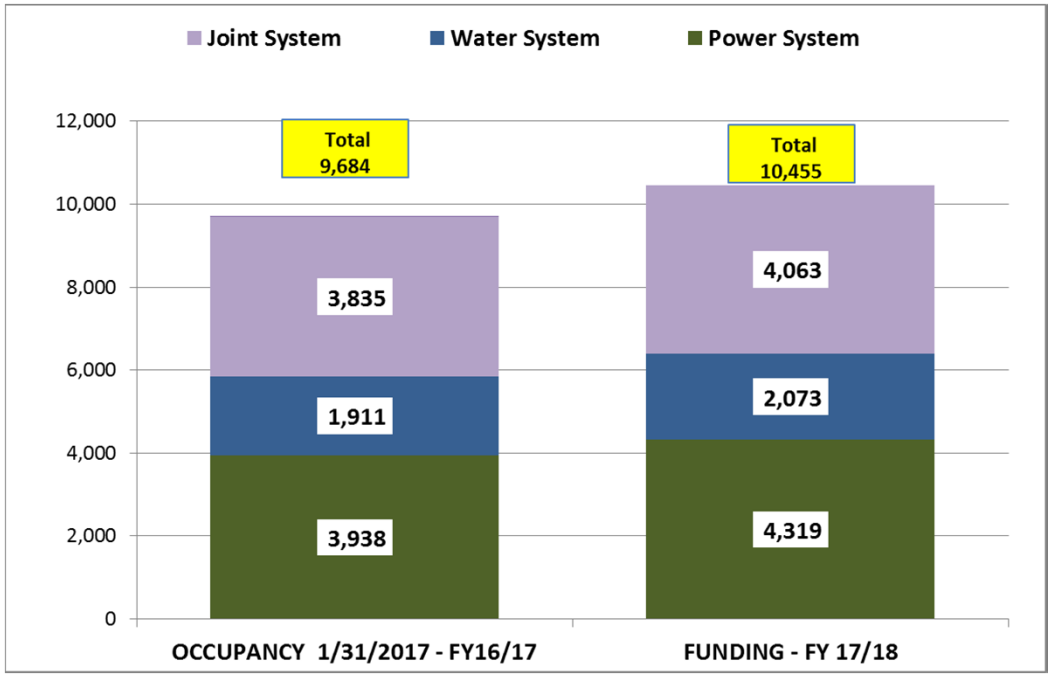
	FY 15-16 Actuals	FY 16-17 Approved	FY 16-17 Estimated	FY 17-18 Proposed
Operating Support	$133	$119	$123	$135
Infrastructure	116	109	110	116
Water Supply	99	112	99	111
Water Quality	72	88	84	86
Owens Valley Regulatory	25	43	34	32
Total - O&M	$445	$472	$450	$480

Based on 2/8/2017 IBIS data

Water Revenue Fund:
FY 17-18: Purchased Water Trend



Staffing Plan by System
FY 17-18: Proposed Funding & APR



Total Budget ($ in Millions)	Labor	Overtime	Benefits
Joint System	$ 376.8	$ 36.0	$ 283.3
Water System	$ 219.0	$ 25.0	$ 166.2
Power System	$ 533.2	$ 97.0	$ 362.2
Total LADWP	**$ 1,129.1**	**$ 157.9**	**$ 811.7**

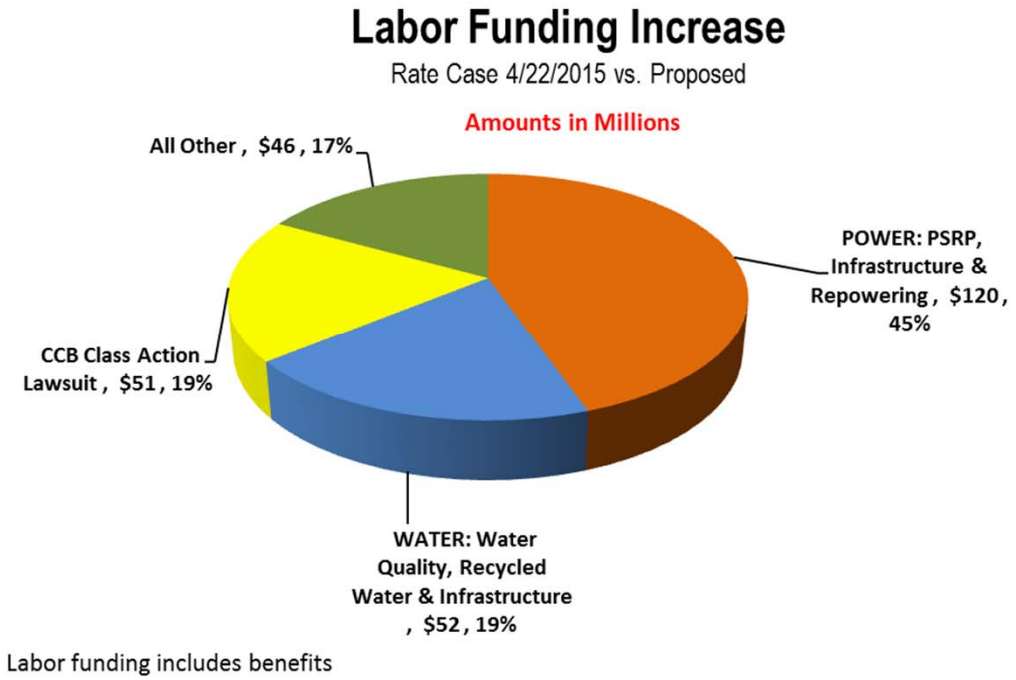
Labor funding, 771 positions, above current occupancy is allocated primarily for implementing:

- Water and Power Systems Programs
- Enhancing Customer Service
- Human Resources, Financial Services and Fleet Services
- Corporate Safety and Project Management Offices
- Office of Sustainability
- Succession Planning

Based on retirement eligibility criteria of Age 55 with 30 or more years of service and Age 60 with 5 or more years of service, approximately 2,223 employees or roughly 23% of the existing LADWP workforce will be eligible to retire within FY 2017-18; actual Retirement for FY 2016-17 as of January 31, 2017 is 117 employees

- Proposed change in Annual Personnel Resolution from 10,015 to 10,650 positions

Labor Funding
FY 17-18: Proposed Changes



Compared to the rate action, the proposed labor funding for FY 17/18 is $99 million higher than the FY16/17 incremental labor funding resulting in a cumulative $268 million increase primarily for:

- Power: PSRP, Infrastructure and Repowering
- Water: Water Quality, Recycled Water and Infrastructure
- Customer Care Billing (CCB) Class Action Lawsuit

This change has no impact on the recently approved rates, as various offsets in contracting services were made to maintain the target revenue requirement.

Timeline and Next Steps

Currently, requesting Board approval for FY 17-18 Preliminary Budget transmittal

Management Review and Update of Preliminary Budget:

March and April 2017

Present and request Board approval for Final FY 17-18 Budget:

May 2017

Budget Detail

APPENDIX

Power Revenue Fund
FY 17-18: Budget Overview

	FY 15-16	FY 16-17		FY 17-18
Capital (in Millions)	**Actuals**	**Approved**	**Estimated**	**Proposed**
Power System Reliability Program	$ 337.1	$ 484.0	$ 414.4	$ 538.0
Infrastructure & Repowering	414.0	355.7	380.9	498.2
Operating Support	85.4	223.3	179.2	228.5
Energy Efficiency	73.3	168.1	149.3	178.2
Renewable Portfolio Standard	262.9	255.3	221.4	148.5
Total - Capital	**1,172.6**	**1,486.3**	**1,345.2**	**1,591.4**
O&M (in Millions)				
Power System Reliability Program	$ 334.0	$ 347.6	$ 347.8	$ 370.0
Operating Support	289.0	340.7	349.8	357.6
Infrastructure, Public Benefit & Repowering	274.1	295.3	297.5	288.2
Renewable Portfolio Standard	26.3	37.5	37.9	41.4
Total - O&M	**$ 923.4**	**$ 1,021.0**	**$ 1,033.0**	**$ 1,057.2**
Fuel and Purchased Power (in Millions)				
Renewables	$ 302.4	$ 531.9	$ 484.8	$ 588.2
Coal and Nuclear	514.9	470.0	420.7	461.4
Natural Gas	328.1	280.5	359.1	349.9
Other Non-Renewables & CO2 Emissions	210.8	160.4	166.3	142.0
Total - FPPB	**$ 1,356.2**	**$ 1,442.7**	**$ 1,430.9**	**$ 1,541.5**

Power Revenue Fund
Power System Reliability Program

	FY 15-16	FY 16-17		FY 17-18
Capital (in Millions)	**Actuals**	**Approved**	**Estimated**	**Proposed**
Distribution	$ 186.4	$ 271.3	$ 247.7	$ 321.9
Transmission	55.4	73.7	59.2	93.8
Substation	66.5	109.0	85.0	92.1
Generation	19.8	19.4	7.2	22.1
Power System Application Technology	8.9	10.6	15.3	8.1
Total - Capital	**$ 337.1**	**$ 484.0**	**$ 414.4**	**$ 538.0**
O&M (in Millions)				
Distribution	$ 128.7	$ 140.3	$ 141.5	$ 154.1
Apprentice and Journeyman Training	84.0	76.2	79.4	80.2
Substation	67.2	75.2	69.6	73.0
Apprentice and Journeyman Training	24.7	26.9	27.8	33.5
Substation	29.3	29.0	29.4	29.2
Total - O&M	**$ 334.0**	**$ 347.6**	**$ 347.8**	**$ 370.0**

The Power System Reliability Program (PSRP) is critical for the replacement of the rapidly aging backbone and infrastructure of the Generation, Transmission, Substation, and Distribution Systems. PSRP initiated in FY 14-15, is the evolution of the existing reliability program to improve how funds are prioritized and the overall effectiveness of the program. This includes the replacement of Poles, Crossarms, Transformers and Cables, Substation Automation, and Circuit Breakers. Specifically the construction of 12-mile Scattergood – Olympic 230kV Cable A.

Power Revenue Fund
Power Infrastructure & Repowering

Capital (in Millions)	FY 15-16 Actuals	FY 16-17 Approved	FY 16-17 Estimated	FY 17-18 Proposed
New Business- Revenue	$ 123.3	$ 121.2	$ 141.9	$ 134.0
Scattergood Repowering	125.3	16.8	18.4	180.0
Infrastructure- Other	93.4	110.4	94.3	73.8
Distributed Sys Reliability	30.0	35.1	43.4	31.7
Castaic Power Plants A&B's	7.7	20.7	21.1	21.3
Haynes Gen Station A&B's	(0.4)	10.0	11.0	17.6
General Facilities Improvements	6.7	13.2	13.8	16.5
AMR Automatic Meter Reading	14.7	15.5	15.9	15.2
Haynes Unit 1&2 Repowering	0.0	5.0	8.5	4.9
Repowering- Other	13.2	7.8	12.6	3.3
Total - Capital	**$ 414.0**	**$ 355.7**	**$ 380.9**	**$ 498.2**
O&M (in Millions)				
In-Basin Plant O&M	$ 114.5	$ 120.6	$ 120.4	$ 118.9
All Other Infrastructure	105.1	114.2	117.6	106.8
Nuclear Gen Exp	36.4	39.6	38.7	40.6
Castaic Power Plnt O&M	18.1	20.8	20.9	22.0
Total - O&M	**$ 274.1**	**$ 295.3**	**$ 297.5**	**$ 288.2**

The Power Infrastructure and Repowering evaluates and prioritizes maintenance and replacement of major power infrastructure, including repowering the thermal units for once-through Cooling (OTC) regulatory compliance. Also included is New Business for system growth and expansion; additions/betterments for various generation facilities.

Power Revenue Fund
Energy Efficiency & Other Functions

Capital (in Millions)	FY 15-16	FY 16-17		FY 17-18
	Actuals	Approved	Estimated	Proposed
Energy Efficiency	$ 73.3	$ 168.1	$ 149.3	$ 178.2
Financial Info System	0.2	25.5	2.4	17.3
Total	**$ 73.5**	**$ 193.5**	**$ 151.7**	**$ 195.5**

LADWP is aggressively ramping up its Energy Efficiency spending in order to achieve long term savings targets as well as mitigate the short term loss of the Aliso Canyon gas storage facility. EE spending in FY 16-17 is estimated to be approximately doubled versus FY 15-16

LADWP is prudently planning the replacement of its Financial, Human Resources and Procurement Systems. The Replacement Program will address problems associated with the Department's legacy mainframe systems which are over 20 years old; lack integration; and lack appropriate reporting, and analytical capabilities. The Replacement is also aimed to modernize business operating procedures, and adopt industry best practices.

Water Revenue Fund
FY 17-18: Budget Overview

Capital (in Millions)	FY 15-16 Actuals	FY 16-17 Approved	FY 16-17 Estimated	FY 17-18 Proposed
Water Quality	$ 202.0	$ 348.7	$ 312.9	$ 314.8
Infrastructure	202.3	295.3	278.2	275.2
Water Supply	132.1	179.6	117.5	178.5
Operating Support	40.7	100.8	70.9	89.4
Owens Valley Regulatory	123.2	125.1	163.3	81.7
Total - Capital	**$ 700.2**	**$ 1,049.5**	**$ 942.7**	**$ 939.6**
O&M (in Millions)				
Operating Support	$ 133.5	$ 119.2	$ 123.0	$ 134.9
Infrastructure	115.6	109.4	110.4	116.5
Water Supply	99.0	112.2	98.6	110.7
Water Quality	72.1	88.5	84.4	85.9
Owens Valley Regulatory	24.8	42.7	33.6	32.1
Total - O&M	**$ 445.0**	**$ 471.9**	**$ 449.9**	**$ 480.1**
Purchased Water (in Millions)	**$ 262.0**	**$ 198.4**	**$ 205.3**	**$ 96.8**

Water Revenue Fund
Water Quality

Capital (in Millions)	FY 15-16 Actuals	FY 16-17 Approved	FY 16-17 Estimated	FY 17-18 Proposed
WQIP Reservoir Improvements	$ 56.5	$ 138.1	$ 122.9	$ 150.5
Groundwater Remediation & Clean-up	11.2	44.0	16.4	64.0
WQIP Trunkline Improvements	88.9	109.7	124.2	50.3
Water Treatment Improvements	22.3	33.3	21.4	22.1
Chloramination Station Installations	5.5	10.8	15.1	14.7
Meter Replacement Program	17.6	12.7	12.8	13.2
Total - Capital	**$ 202.0**	**$ 348.7**	**$ 312.9**	**$ 314.8**
O&M (in Millions)				
Distr Reservoir O&M	$ 23.9	$ 24.8	$ 23.0	$ 25.4
Distribution Treatment Opns	12.1	20.2	19.3	19.6
Filter Plant Opns	13.1	16.3	16.6	17.0
WQ Control	17.4	18.1	17.5	16.8
Water Quality Regulatory	4.9	6.0	5.3	5.4
Water Quality Ground Water	0.1	2.3	2.0	1.2
System Flushing	0.5	0.4	0.4	0.4
Communit Outreach-Water	0.1	0.2	0.2	0.2
Total - O&M	**$ 72.1**	**$ 88.5**	**$ 84.4**	**$ 85.9**

Water Quality Highlights: significant accomplishment in FY16-17 includes

- Completion of the floating cover replacement for Franklin Reservoir
- Initiation of construction for Upper Stone Canyon floating cover
- Completion of Silver Lake Bypass line and removal of Ivanhoe Reservoir from the Distribution System
- Initiation of construction on LA Reservoir UV treatment Facility
- 50% construction completion of RSC 5 & 6 trunk line and tunnel

Water Revenue Fund
Water Infrastructure

	FY 15-16	FY 16-17		FY 17-18
Capital (in Millions)	**Actuals**	**Approved**	**Estimated**	**Proposed**
Distribution Mains	$ 81.0	$ 103.9	$ 102.5	$ 111.4
Services, Meters and Hydrants	43.0	43.2	38.3	42.8
Trunkline & Major Sys Connection	12.5	22.7	23.1	36.4
Infrastructure Reservoir Improvements	24.2	61.5	61.2	22.1
Pump Stations	8.4	10.3	13.4	18.1
Water System Support/General	3.1	30.4	10.3	16.3
WSO Info Technology	6.1	7.9	8.5	14.9
WSO Facilities	10.1	10.2	13.0	8.4
WSO Capital Projects	1.3	4.0	4.0	3.3
Tools and Equipment	1.4	1.2	1.2	1.6
Resource Development	11.2	0.0	2.8	-
Total - Capital	**$ 202.3**	**$ 295.3**	**$ 278.2**	**$ 275.2**
O&M (in Millions)				
Distribution Mains O&M	$ 40.2	$ 37.3	$ 37.5	$ 40.8
Water System Support/General	24.5	23.4	24.3	24.4
Service Connection O&M	17.4	16.6	16.9	17.4
Water Information Technology	10.0	11.2	11.1	11.6
Oper Bldg & Yard O&M	7.2	5.9	6.0	7.1
Regulator Station O&M	7.1	6.8	6.4	6.5
Meters O&M	4.5	4.3	4.3	4.6
Fire Hydrant Maintenance	4.7	3.7	3.7	4.1
Total - O&M	**$ 115.6**	**$ 109.4**	**$ 110.4**	**$ 116.5**

Water Infrastructure Program :

- Water Operations Division has met its goal of rehabilitating 4 pressure regulating stations and expects to exceed the goal by 2 by the end of the fiscal year. In addition, Water Operations Division has surpassed its goal of 9 pump and motor replacement by 2.
- Water Distribution exceeded its mainline replacement goal of 150,000 feet, installing nearly 170,000 feet.

Water Revenue Fund
Water Supply

	FY 15-16	FY 16-17		FY 17-18
Capital (in Millions)	**Actuals**	**Approved**	**Estimated**	**Proposed**
Recycling & Storm Water	$ 48.9	$ 100.5	$ 57.0	$ 99.4
Water Conservation	46.4	40.2	26.9	38.0
LAA Aqueduct	20.5	25.5	23.3	26.8
Groundwater	16.3	13.4	10.3	14.3
Total - Capital	**$ 132.1**	**$ 179.6**	**$ 117.5**	**$ 178.5**
O&M (in Millions)				
Groundwater	$ 45.5	$ 43.4	$ 41.1	$ 45.6
LAA Aqueduct	41.5	39.1	40.1	40.3
Water Conservation	7.7	21.0	10.9	16.5
Recycling & Storm Water	4.3	8.8	6.5	8.4
Total - O&M	**$ 99.0**	**$ 112.2**	**$ 98.6**	**$ 110.7**

Storm Water

- In mid-2016, Water Resources broke ground on the Tujunga Spreading Grounds Enhancement Project (TSG).
- The TSG project will enhance the existing spreading grounds by combining and deepening basins, installing two intakes and incorporating a new remote telemetry system to optimize its operation.
- Once completed in late 2018, TSG will have the capacity to double its stormwater recharge amount from 8,000 to 16,000 AFY.

Water Supply

- Recycled water to new customers including Bond Park, Delano Park, Bette Davis Park, Chevy Chase Park, Woodley Park East, Branford Park, LACMTA, California State Historic Parks and the Los Angeles Department of Cultural Affairs.
- Water System staff is finalizing the grant application to secure up to $9 million of Proposition 1 funding for the Griffith Park South Water Recycling Project.
- Water System staff is working on a 5-year update of the 2012 Recycled Water Master Plan.

Water Revenue Fund
Regulatory Compliance: Owens Valley

	FY 15-16	FY 16-17		FY 17-18
Capital (in Millions)	**Actuals**	**Approved**	**Estimated**	**Proposed**
Supplemental Dust Control	$ 114.7	$ 70.3	$ 144.2	$ 48.9
Owens Valley Dust Mitigation	$ 7.5	$ 34.8	$ 18.9	$ 32.1
Owens Lake Master Project	$ 1.0	$ 20.0	$ 0.3	$ 0.7
Total - Capital	**$ 123.2**	**$ 125.1**	**$ 163.3**	**$ 81.7**
O&M (in Millions)				
Owens Lake O&M	$ 21.0	$ 39.3	$ 31.1	$ 29.1
Lower Owens River O&M	3.8	3.4	2.5	3.0
Total - O&M	**$ 24.8**	**$ 42.7**	**$ 33.6**	**$ 32.1**