



INFORMATIONAL BOARD LETTER

*Ann M. Santilli*  
Ann M. Santilli (Dec 19, 2024 07:03 PST)

**ANN M. SANTILLI**  
Chief Financial Officer

*Janisse Quiñones*

**JANISSE QUIÑONES**  
Chief Executive Officer and Chief Engineer

**DATE:** December 18, 2024

**SUBJECT:** Financial Services Organization Monthly Activities Report – October 2024

**ACCOUNTING AND FINANCIAL REPORTING DIVISION**

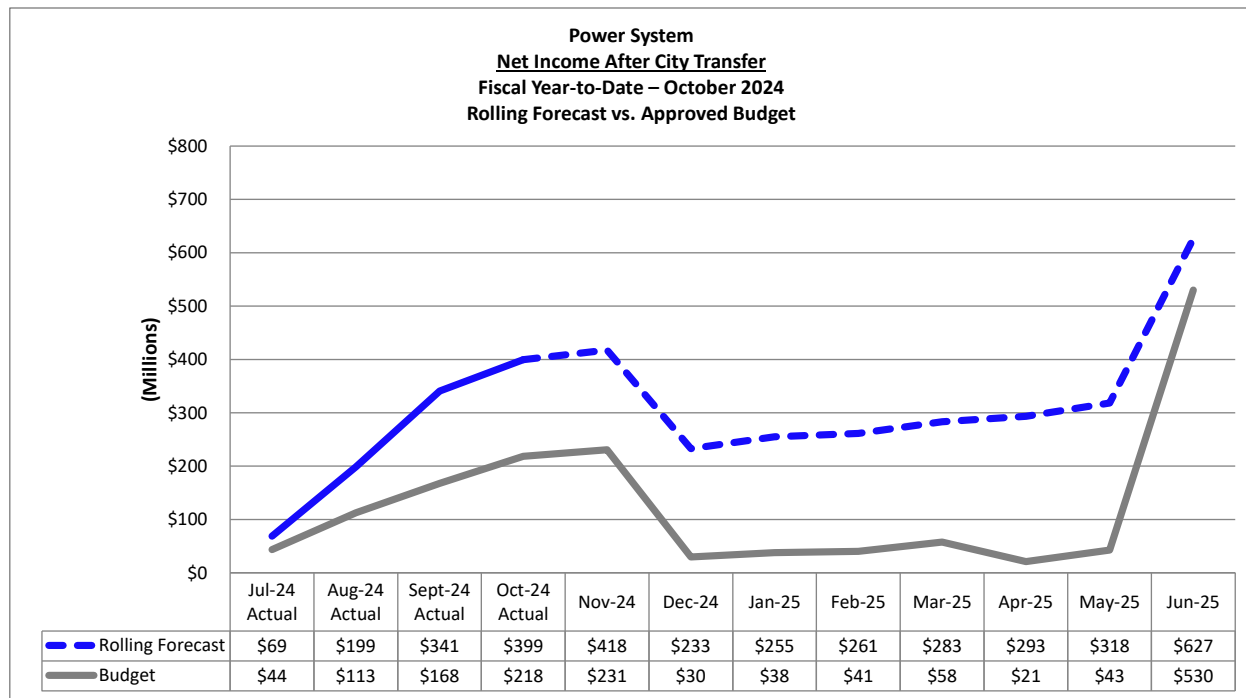
**Monthly Cash Activity for the Water and Power Revenue Funds – October 2024**

Receipts, disbursements, and cash balances of the Water and Power Revenue Funds are shown below for the month ending October 31, 2024. Substantially all cash balances in each of the funds are continuously invested by the City Treasurer.

REVENUE FUNDS (in thousands)		
	WATER	POWER
Beginning Balance - October 1, 2024	\$ 571,960	\$ 1,360,090
ADD: Customer Collections	238,472	576,850
DWP Interfund Transfers	72,001	73,356
Other City Departments	7,172	9,112
Interest on Pooled Cash	1,869	6,663
Transfer from Restricted Cash	-	17,203
Construction Fund	23,486	245,000
Headworks Flow Control Station Project	1,499	-
Total Receipts	344,499	928,183
LESS: Payments to Vendors	61,440	289,944
Payroll	48,756	116,832
DWP Interfund Transfers	81,479	101,826
W&P Active Employees Health Benefits - Fund 922	9,163	18,294
Bond Redemption and Interest	1,230	2,824
Sewer, Utility Taxes & Refuse	56,883	79,218
Other City Departments	3,128	394
Total Disbursements	262,080	609,332
Ending Balance - October 31, 2024	\$ 654,379	\$ 1,678,941

## **BUDGET, FINANCIAL PLANNING AND RATES DIVISION**

### **Power System**

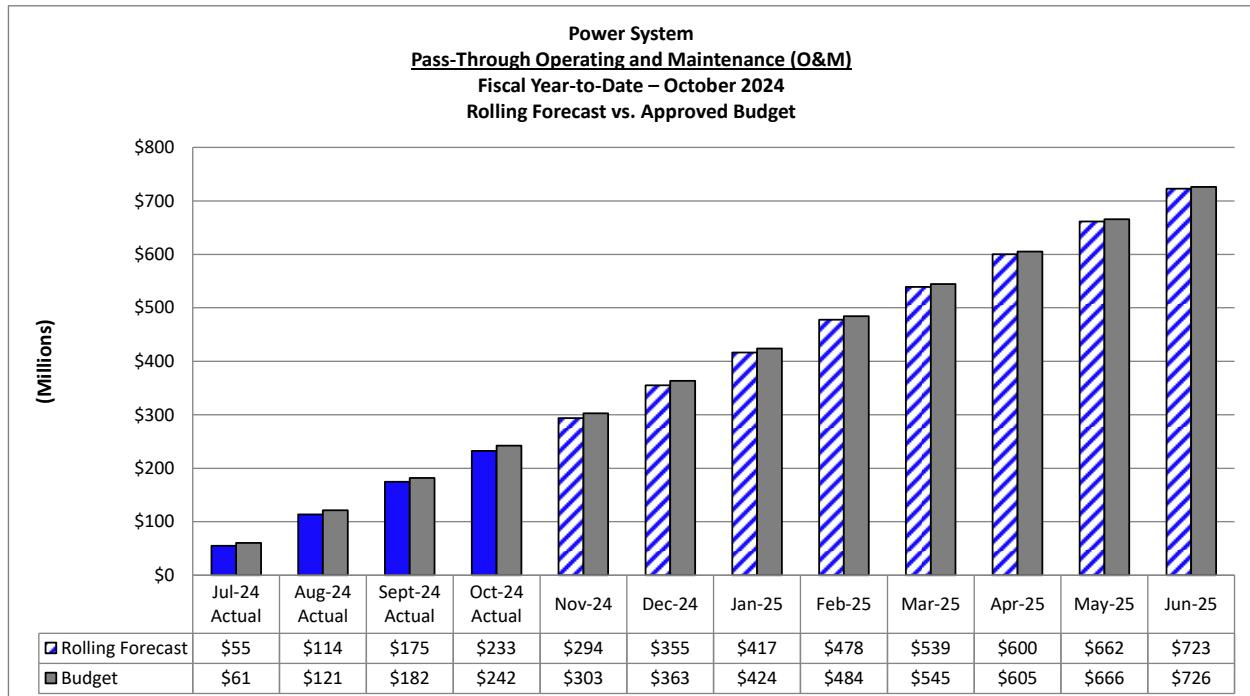


- FYTD actual net income and the year-end forecast are \$181M and \$97M, respectively, higher than budget, mainly due to higher-than-expected wholesales sales and other revenue and a decrease in operating expenses.

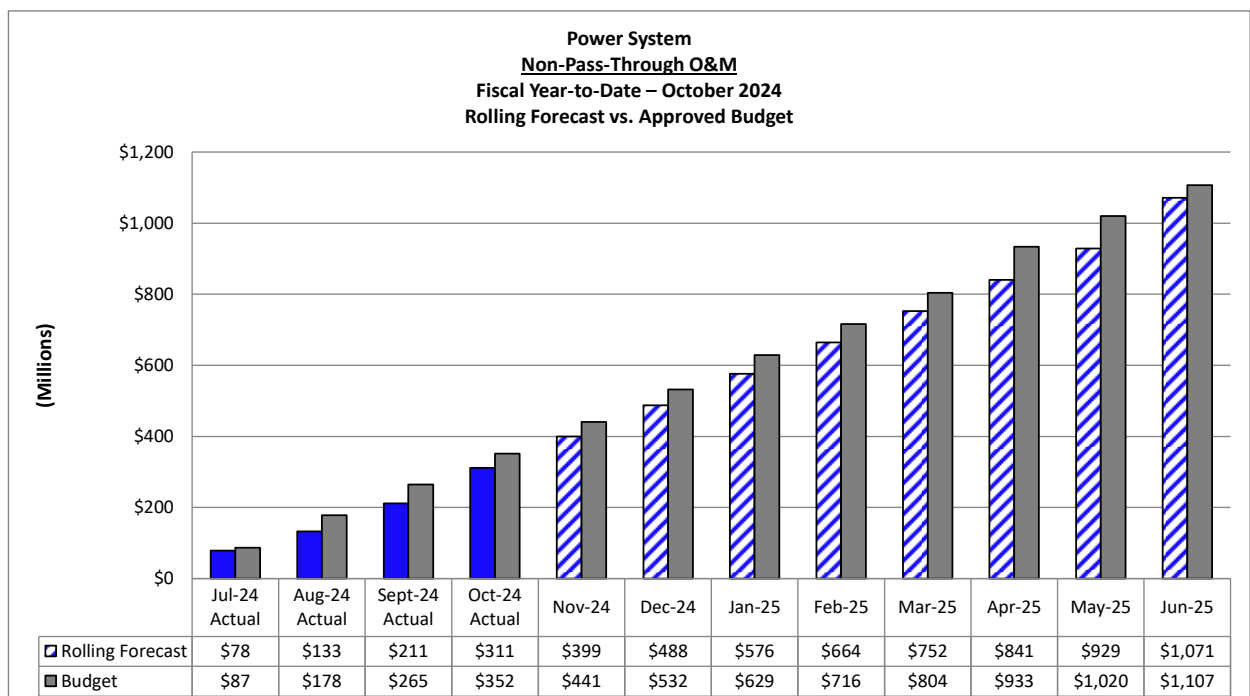
**Los Angeles Department of Water and Power**  
**Power System Income Statement**  
**as of October 2024**  
(Amounts in millions)

Year-To-Date as of October 2024					Annual			
	Actual	Budget	Variance	Variance %	Year-end Forecast	Budget	Variance	Variance %
<b>Consumption (GWh)</b>								
Retail Sales Consumption	8,075	7,755	320	4.1%	21,894	21,574	320	1.5%
Net Energy for Load	9,047	9,311	(264)	(2.8%)	24,347	24,611	(264)	(1.1%)
<b>Operating Revenues</b>								
Base Revenue - Billed	\$809.0	\$760.2	\$48.8	6.4%	\$2,039.6	\$1,990.8	\$48.8	2.5%
Pass-Through Revenue - Billed	1,117.7	1,040.8	76.9	7.4%	3,123.3	2,999.4	123.9	4.1%
Total Billed Revenue	\$1,926.7	\$1,801.0	\$125.8	7.0%	\$5,163.0	\$4,990.2	\$172.8	23.5%
(Over)/Under Collection on Pass-Through Revenue	(173.2)	(96.1)	(77.1)	80.3%	(4.5)	227.9	(232.4)	(102.0%)
<b>Total Retail Revenue</b>	<b>\$1,753.6</b>	<b>\$1,704.9</b>	<b>\$48.7</b>	<b>2.9%</b>	<b>\$5,158.5</b>	<b>\$5,218.1</b>	<b>(\$59.7)</b>	<b>(1.1%)</b>
Bad Debt	(10.9)	(18.0)	7.1	(39.4%)	(43.3)	(49.9)	6.6	(13.3%)
Other Revenue	60.9	24.5	36.4	149.0%	101.7	65.2	36.4	55.9%
<b>Total Operating Revenues</b>	<b>\$1,803.6</b>	<b>\$1,711.3</b>	<b>\$92.2</b>	<b>5.4%</b>	<b>\$5,216.9</b>	<b>\$5,233.5</b>	<b>(16.6)</b>	<b>(0.3%)</b>
<b>Operating Expenses</b>								
Fuel and Purchased Power Expenses	\$550.5	\$552.4	(\$1.9)	(0.3%)	\$1,592.8	\$1,599.5	(\$6.6)	(0.4%)
Pass-Through Operations & Maintenance	232.6	242.3	(9.6)	(4.0%)	723.00	726.5	(3.5)	(0.5%)
Non-Pass-Through Operations & Maintenance	311.2	351.5	(40.3)	(11.5%)	1,071.5	1,106.7	(34.2)	(3.2%)
Total Operations and Maintenance	\$543.8	\$593.8	(\$50.0)	(8.4%)	\$1,794.4	\$1,833.2	(\$38.7)	(2.1%)
Depreciation, Amortization & Decommissioning	269.5	295.7	(26.2)	(8.9%)	858.8	890.2	(31.4)	(3.5%)
Property Tax	6.1	6.4	(0.2)	(3.7%)	18.7	19.1	(0.4)	(2.0%)
<b>Total Operating Expenses</b>	<b>\$1,370.0</b>	<b>\$1,448.3</b>	<b>(\$78.3)</b>	<b>(5.4%)</b>	<b>\$4,264.8</b>	<b>\$4,342.0</b>	<b>(\$77.2)</b>	<b>(1.8%)</b>
<b>Operating Income</b>	<b>\$433.5</b>	<b>\$263.0</b>	<b>\$170.5</b>	<b>64.8%</b>	<b>\$952.1</b>	<b>\$891.5</b>	<b>\$60.6</b>	<b>6.8%</b>
<b>Other Income and Expenses</b>								
Other Income	\$94.7	\$83.5	\$11.2	13.4%	\$243.0	\$250.6	(\$7.6)	(3.0%)
Net Debt Expenses	(136.0)	(148.5)	12.4	(8.4%)	(409.4)	(445.4)	36.0	(8.1%)
Contributions in Aid of Construction	7.3	20.4	(13.1)	(64.3%)	60.2	61.2	(0.9)	(1.5%)
<b>Total Other Income and Expenses</b>	<b>(\$34.0)</b>	<b>(\$44.5)</b>	<b>\$10.5</b>	<b>(23.6%)</b>	<b>(\$106.2)</b>	<b>(\$133.6)</b>	<b>\$27.5</b>	<b>(20.6%)</b>
<b>Net Income Before City Transfer</b>	<b>\$399.5</b>	<b>\$218.5</b>	<b>\$1781.0</b>	<b>82.8%</b>	<b>\$846.0</b>	<b>\$757.9</b>	<b>\$88.1</b>	<b>11.6%</b>
City Transfer	0.0	0.0	0.0	0.0%	(219.3)	(228.0)	8.7	(3.8%)
<b>Net Income</b>	<b>\$399.5</b>	<b>\$218.54</b>	<b>\$181.00</b>	<b>82.8%</b>	<b>\$626.7</b>	<b>\$529.9</b>	<b>\$96.8</b>	<b>18.3%</b>

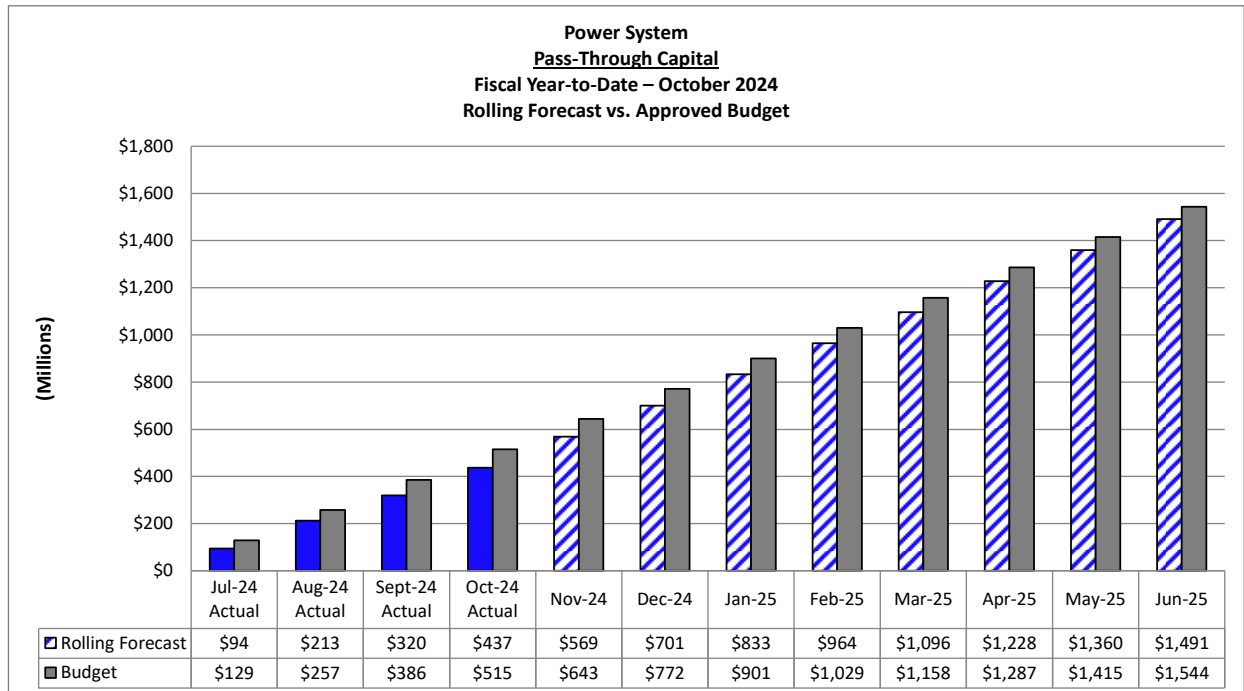
- FYTD operating revenue is \$92M higher than the budget, mainly due to an increase in billed and other revenue, whereas the year-end forecast is \$17M lower than budget due to a decrease in pass-through revenue resulted from lower than expected under-collection.
- FYTD actual operating expenses and the year-end forecast are \$78M and \$77M, respectively, lower than budget, mainly due to lower-than-expected O&M and depreciation expenses.



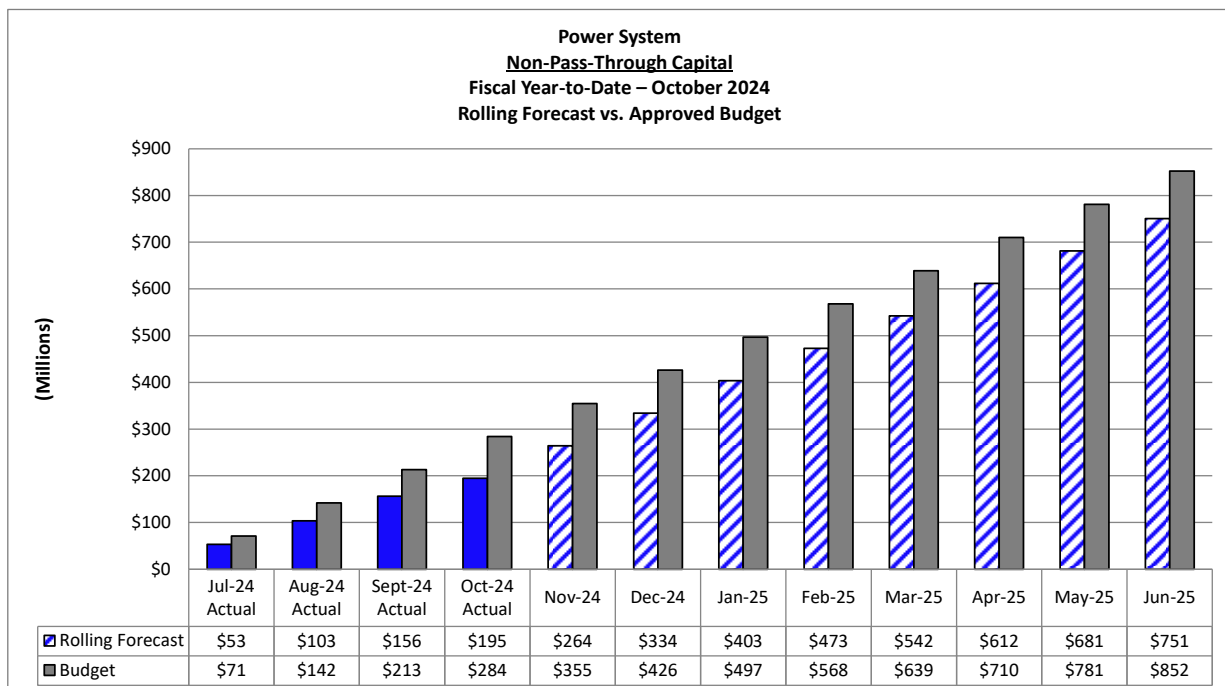
- FYTD actual pass-through O&M is \$9M lower than budget, mainly due to underspending in the Power System Reliability Program (PSRP) - \$10M.
- The year-end forecast is \$3M lower than budget mainly due to an underspending in PSRP - \$4M.



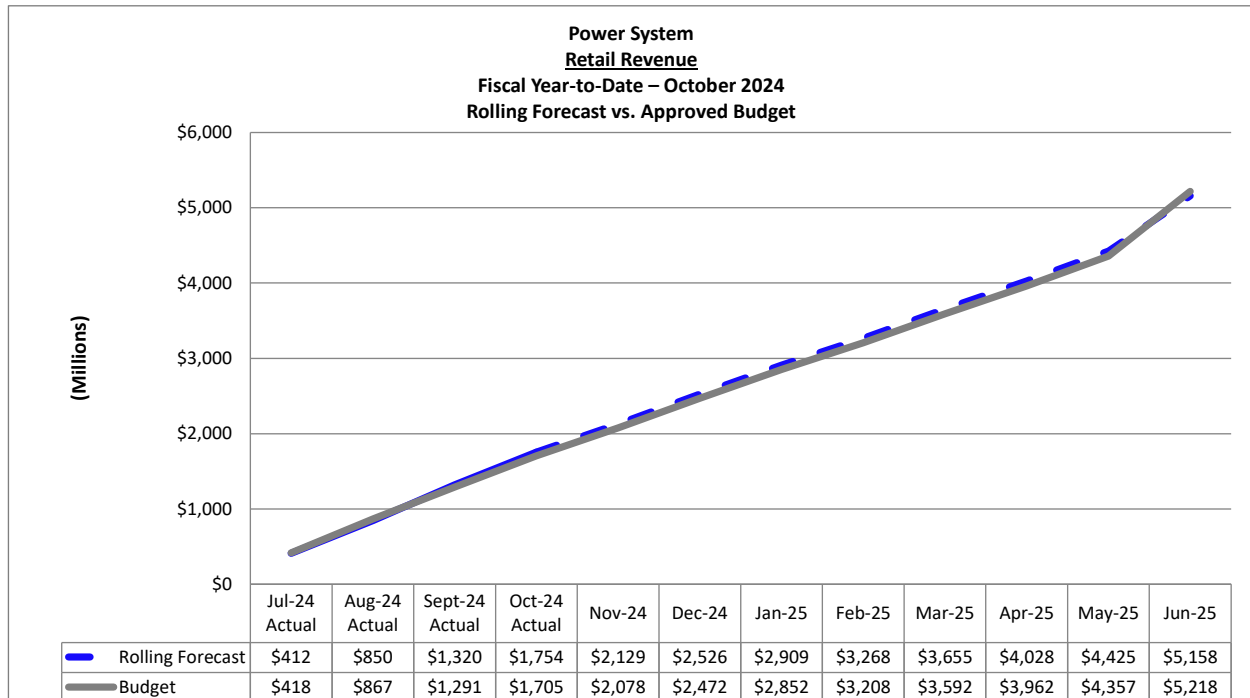
- FYTD actual non-pass-through O&M is \$41M lower than budget, mainly due to underspending in Operating Support - \$29M and other miscellaneous accounting adjustments.
- The year-end forecast is \$36M lower than budget, mainly due to underspending in Operating Support - \$25M.



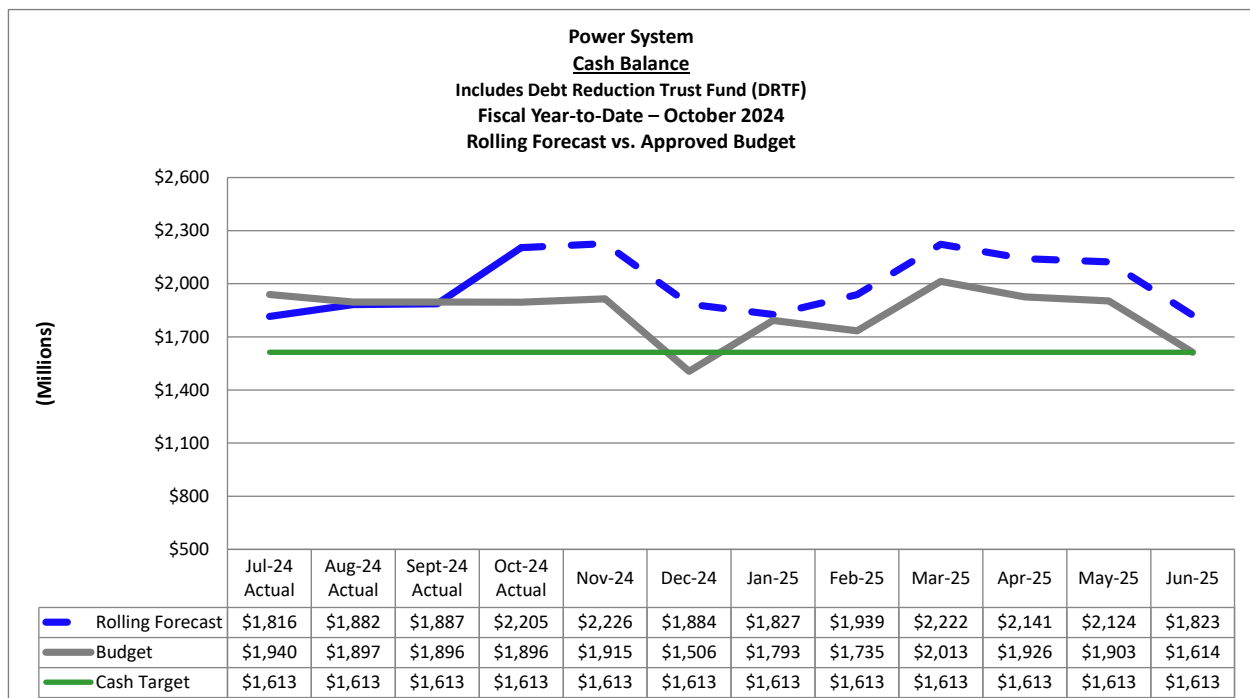
- FYTD actual pass-through capital expenditures are \$78M lower than budget, mainly due to underspending in Energy Efficiency (EE) - \$35M, PSRP - \$28M, and in Renewable Portfolio Standard (RPS) - \$14M .
- The year-end forecast is \$53M lower than budget, mainly due to underspending in PSRP - \$43M, EE - \$36M, offset by overspending in RPS - \$27M.



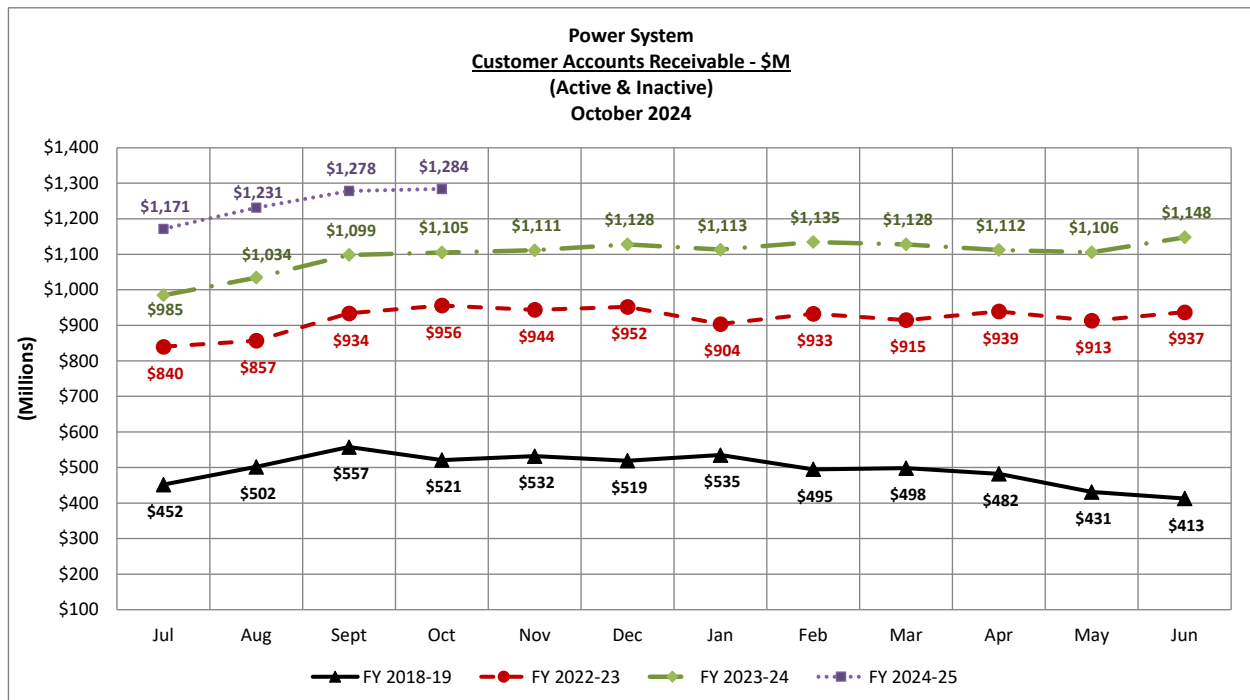
- FYTD actual non-pass-through capital expenditures are \$89M lower than budget, due to underspending in Operating Support - \$71M and Infrastructure - \$18M.
- The year-end forecast is \$101M lower than budget, due to underspending in Operating Support - \$61M and Infrastructure - \$40M.



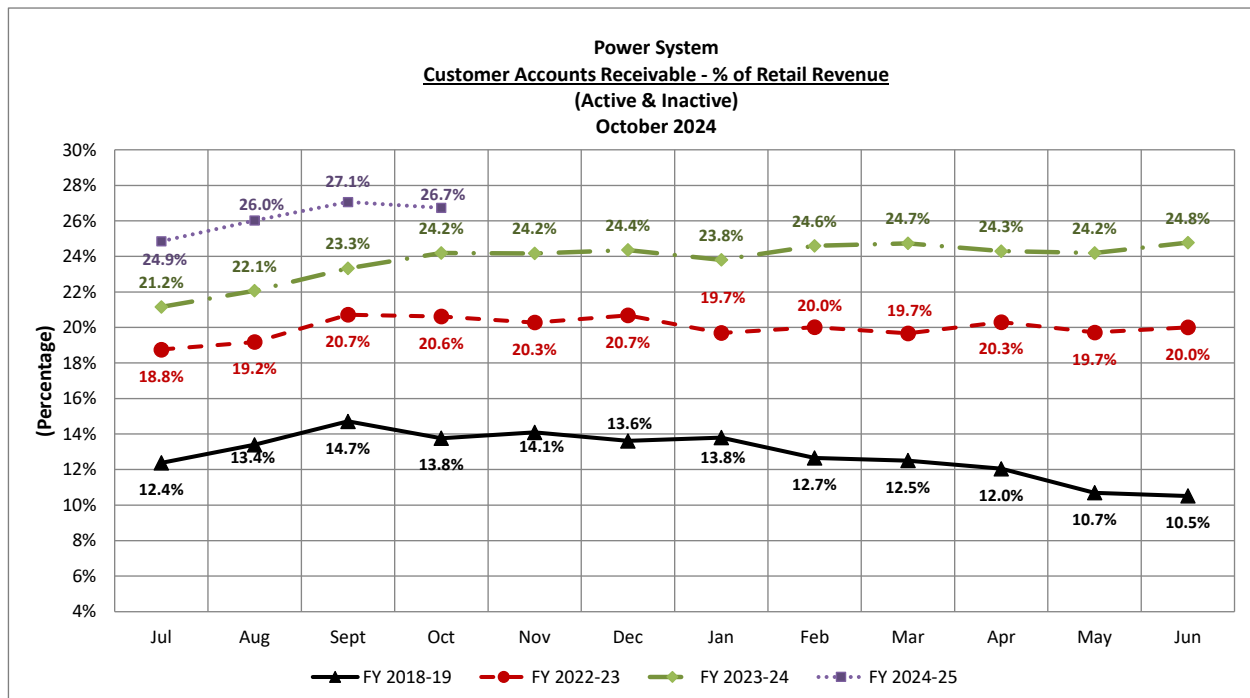
- FYTD actual retail revenue is \$49M higher than budget, mainly due to higher-than-expected billed revenue.
- The year-end forecast is \$60M lower than budget, mainly due to a decrease in pass-through under-collection.



- FYTD actual cash is \$309M higher than budget and \$592M above the cash target.
- The year-end forecast cash balance is expected to be \$209M above budget and \$210M above the cash target.

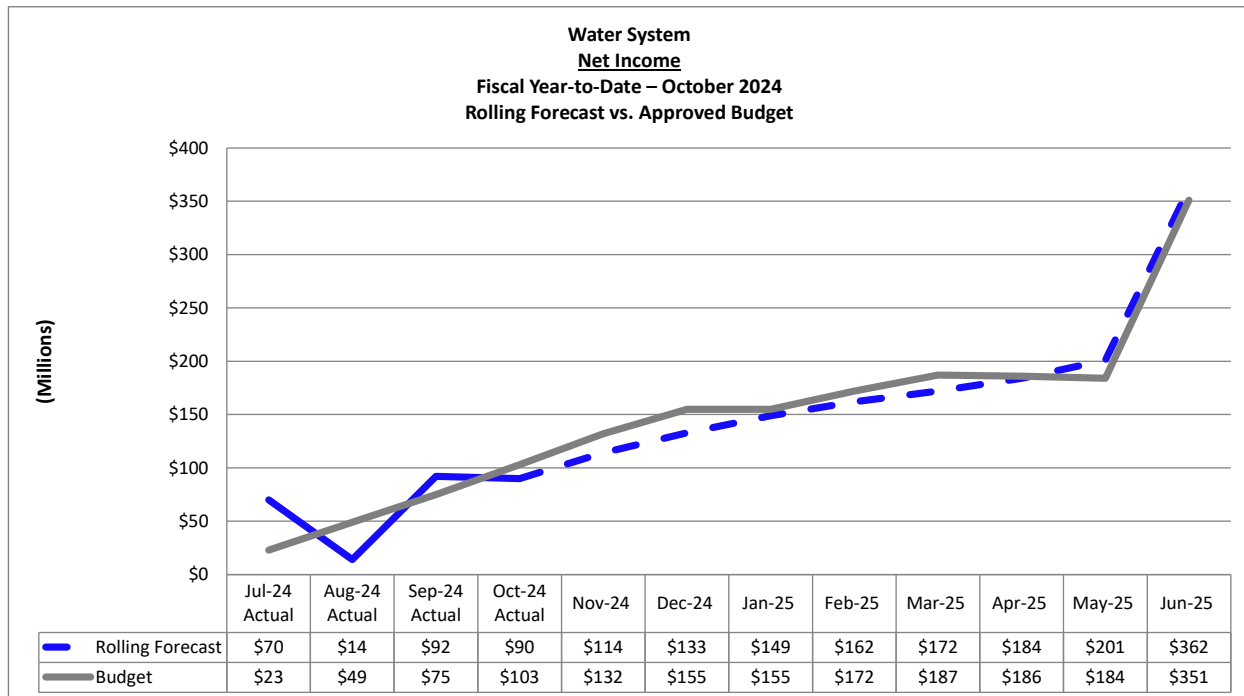


- October 2024 A/R balance is \$179M higher than October 2023 and \$328M higher than October 2022.



- Accounts receivable as a % of retail revenue in October 2024 is 2.5% higher than October 2023 and 6.1% higher than October 2022.

## Water System



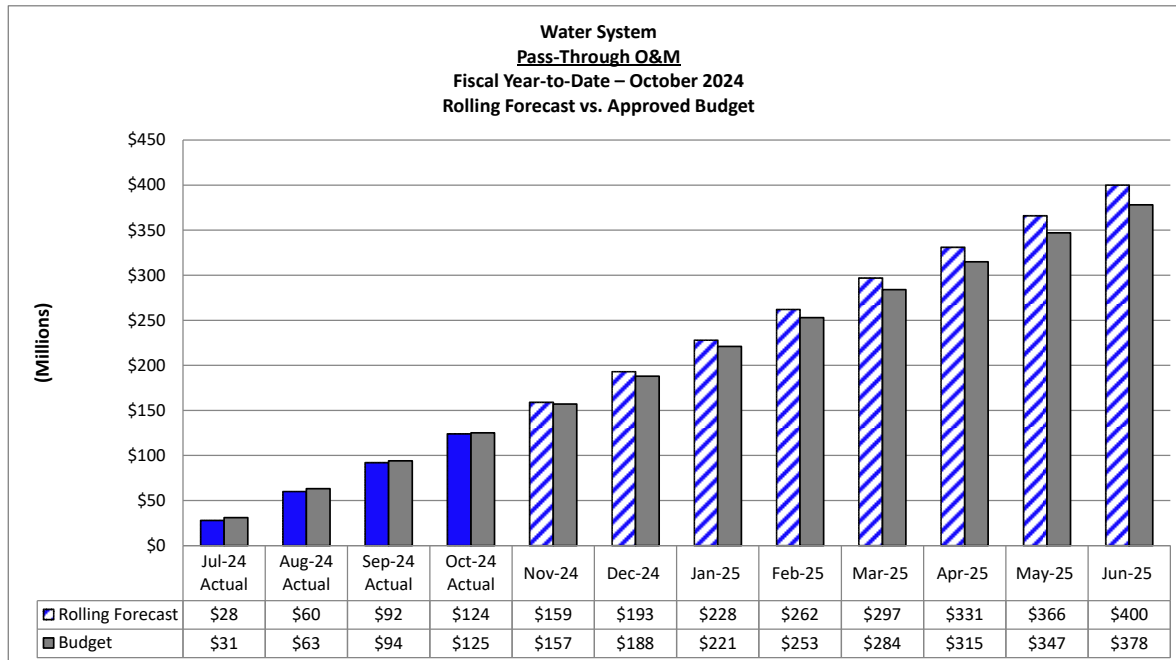
- FYTD actual net income is \$13M lower than budget, mainly due to a decreases in Operating Income of \$7M and Contribution in Aid of Construction (CIAC) of \$22M, and offset by an increase in Other Income and Expenses of \$4M and a decrease in Interest expenses of \$12M.
- The year-end forecast is \$11M higher than the budget, which includes an estimated BRRTA shortfall of \$141M related to the decoupling mechanism.



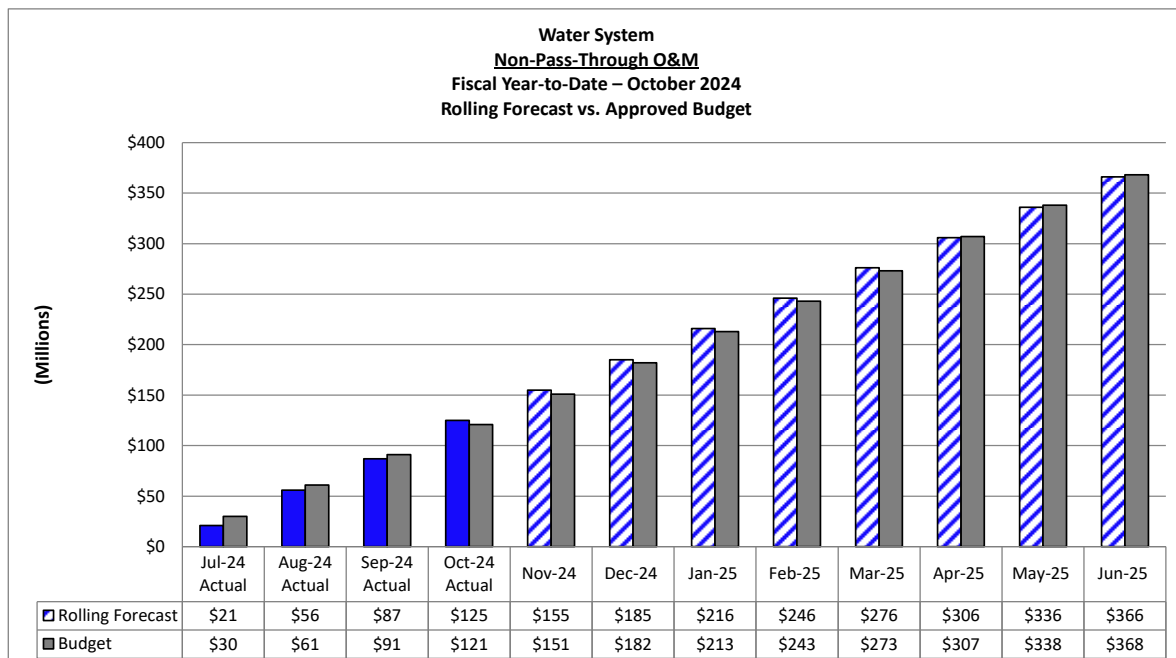
**Los Angeles Department of Water and Power**  
**Water System Income Statement**  
**As of October 2024**  
**(Amounts in millions)**

	Year To Date As of October 2024				Annual			
	Actual	Budget	Variance	Variance %	Year-end Forecast	Approved Budget	Variance	Variance %
<b>Consumption (MHCF)</b>								
Retail Sales Consumption	69.8	69.0	0.9	1.2%	178.4	178.2	0.2	0.1%
<b>Operating Revenues</b>								
Base Revenue - Billed	\$170.2	\$156.7	\$13.5	8.6%	\$414.7	\$402.6	\$12.1	3.0%
Pass-Through Revenue - Billed	562.1	564.2	(2.1)	(0.4%)	1,509.2	1,511.6	(2.4)	(0.2%)
(Over)/Under Collection on Pass-Through Revenue	(172.0)	(172.2)	0.2	(0.1%)	(189.4)	(179.0)	(10.4)	5.8%
<b>Retail Revenue</b>	<b>\$560.4</b>	<b>\$548.7</b>	<b>\$11.7</b>	<b>2.1%</b>	<b>\$1,734.5</b>	<b>\$1,735.2</b>	<b>(\$0.7)</b>	<b>(0.0%)</b>
Bad Debt	(2.4)	(2.6)	0.2	(6.3%)	(7.6)	(7.7)	0.1	(0.9%)
Other Revenue	7.1	3.7	3.4	91.9%	14.4	11.1	3.4	30.4%
<b>Total Operating Revenue</b>	<b>\$565.0</b>	<b>\$549.8</b>	<b>\$15.2</b>	<b>2.8%</b>	<b>\$1,741.3</b>	<b>\$1,738.6</b>	<b>\$2.7</b>	<b>0.2%</b>
<b>Operating Expenses</b>								
Purchased Water	\$84.8	\$58.2	\$26.6	45.7%	\$203.0	\$214.8	(\$11.8)	(5.5%)
Pass-Through Operations & Maintenance	124.1	\$125.3	(1.2)	(1.0%)	400.3	378.1	22.2	5.9%
Non-Pass-Through Operations & Maintenance	125.0	121.0	4.0	3.3%	366.4	367.7	(1.3)	(0.3%)
<b>Total Operations and Maintenance</b>	<b>249.1</b>	<b>246.4</b>	<b>2.7</b>	<b>1.1%</b>	<b>766.7</b>	<b>745.9</b>	<b>20.9</b>	<b>2.8%</b>
Depreciation & Amortization	84.4	91.0	(6.6)	(7.3%)	264.5	273.0	(8.5)	(3.1%)
Property Taxes	7.3	7.3	(0.1)	(0.8%)	22.0	22.0	0.0	0.0%
<b>Total Operating Expenses</b>	<b>\$425.6</b>	<b>\$402.9</b>	<b>\$22.7</b>	<b>5.6%</b>	<b>\$1,256.2</b>	<b>\$1,255.7</b>	<b>\$0.5</b>	<b>0.0%</b>
<b>Operating Income</b>	<b>\$139.4</b>	<b>\$146.9</b>	<b>(\$7.4)</b>	<b>(5.1%)</b>	<b>\$485.1</b>	<b>\$482.9</b>	<b>\$2.2</b>	<b>0.5%</b>
Other Income & Expenses	\$12.7	\$9.2	\$3.5	37.7%	\$31.6	\$27.6	\$4.0	14.4%
Interest Expense	(73.1)	(85.2)	12.1	(14.2%)	(229.4)	(255.6)	26.2	(10.3%)
Contribution in Aid of Construction (CIAC)	10.7	32.2	(21.5)	(66.7%)	75.0	96.5	(21.5)	(22.2%)
<b>Net Income (Loss)</b>	<b>\$89.7</b>	<b>\$103.0</b>	<b>(\$13.3)</b>	<b>(12.9%)</b>	<b>\$362.4</b>	<b>\$351.4</b>	<b>\$10.9</b>	<b>3.1%</b>

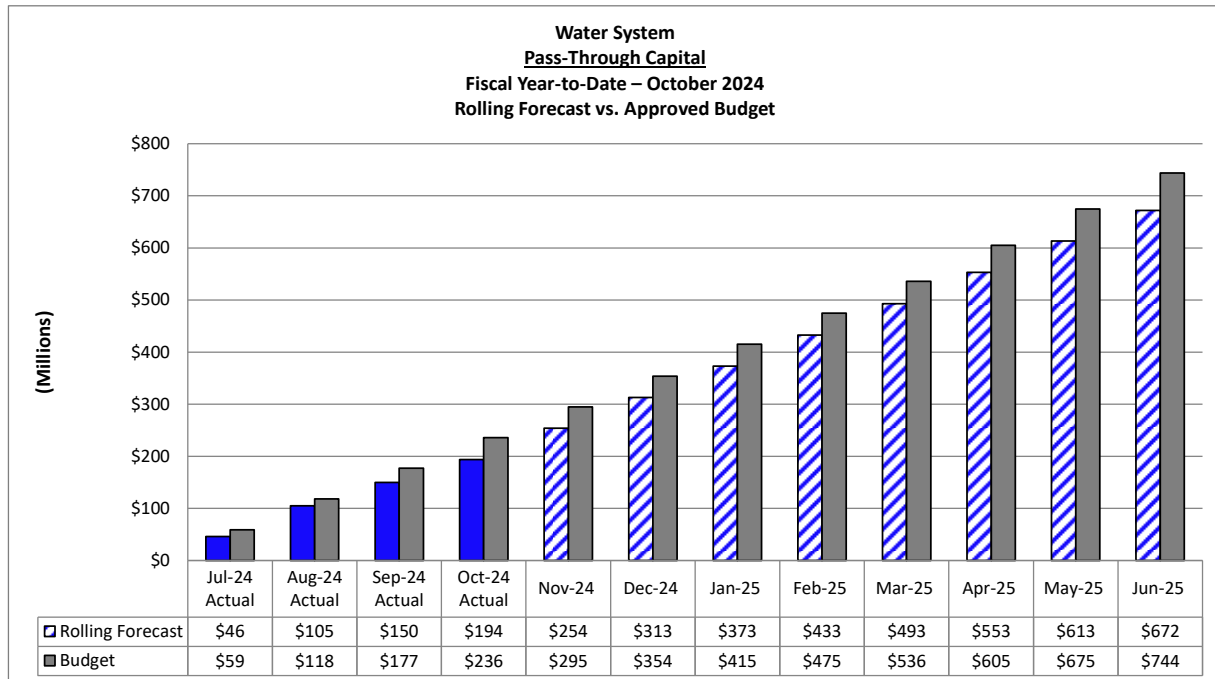
- FYTD actual retail revenue is \$12M higher than budget, mainly due to an increase of \$11M in billed revenue.
- FYTD purchased water is \$27M higher than budget, mainly due to an overstated amount of approximately \$10.6M, which will be corrected in the upcoming November 2024 accounting closing.
- FYTD actual O&M expenses are \$3M higher than budget, mainly due to overspending of \$4M in non-pass-through operations and maintenance and underspending of \$1M in pass-through operations and maintenance.
- FYTD Contribution in Aid of Construction (CIAC) is \$22M lower than the budget.



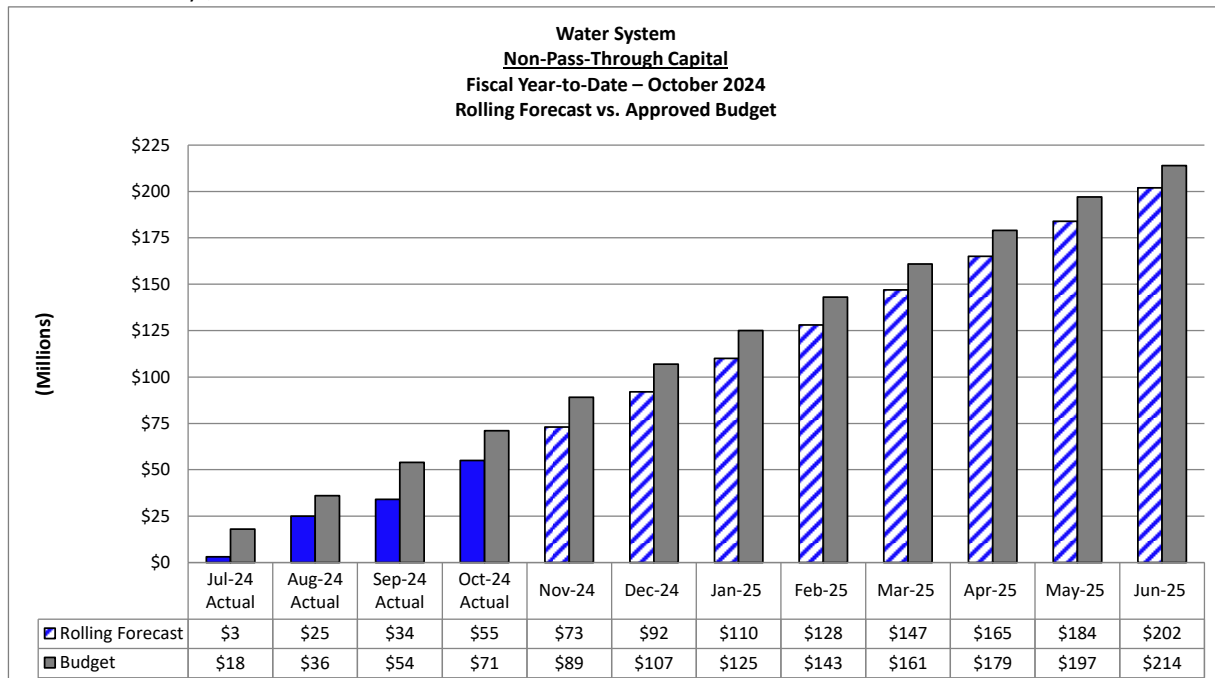
- FYTD actual pass-through O&M is \$1M lower than budget, mainly due to underspending in Water Quality \$8M, Groundwater \$4M, and Water Conservation \$2M, and offset by overspending in L.A. Aqueduct \$6M, Owens Valley Regulatory \$4M, and Recycled Water \$3M.
- The year-end forecast is expected to be \$22M higher than budget, mainly due to overspending in Owens Valley Regulatory \$20M, L.A. Aqueduct \$10M, and Recycled Water \$3M, and offset by underspending in Groundwater \$5M, Water Quality \$4M, and Water Conservation \$2M.



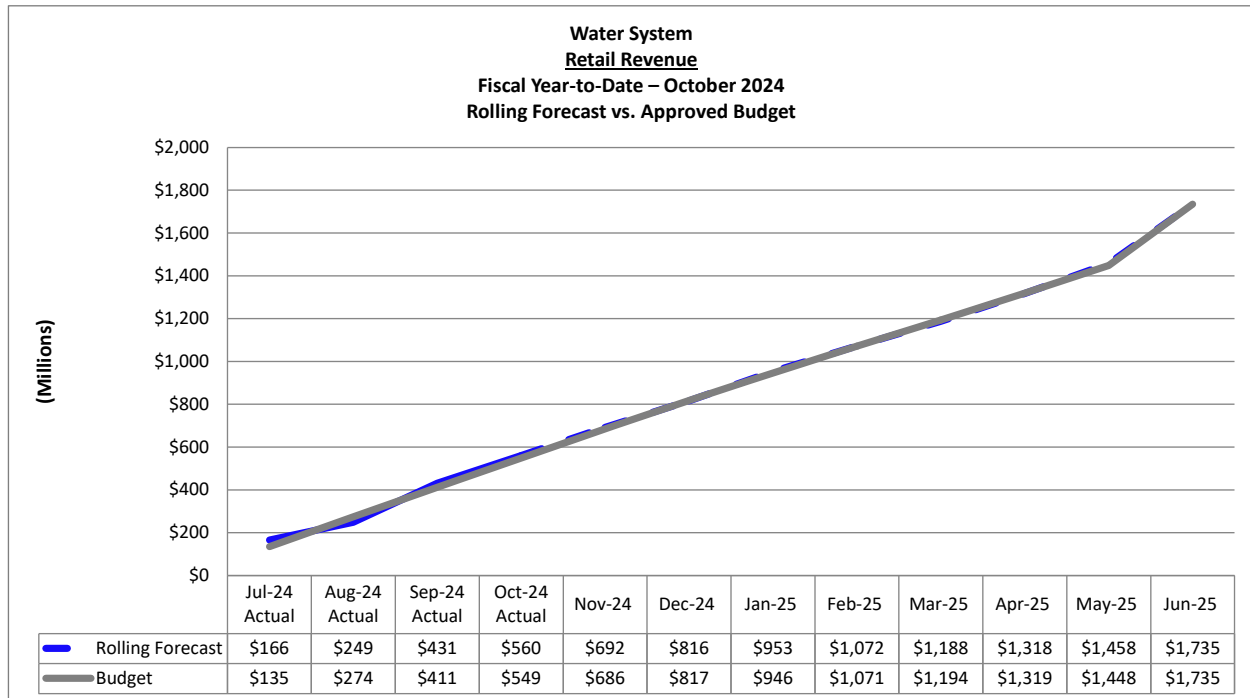
- FYTD actual non-pass-through O&M is \$4M higher than the budget, mainly due to overspending in Infrastructure Base \$9M, and offset by underspending in Infrastructure Operating Support \$2M, and other miscellaneous accounting adjustments.
- The year-end forecast is expected to be \$2M lower than budget, mainly due to underspending in Infrastructure Operating Support \$9M, and offset by overspending in Infrastructure Base \$7M.



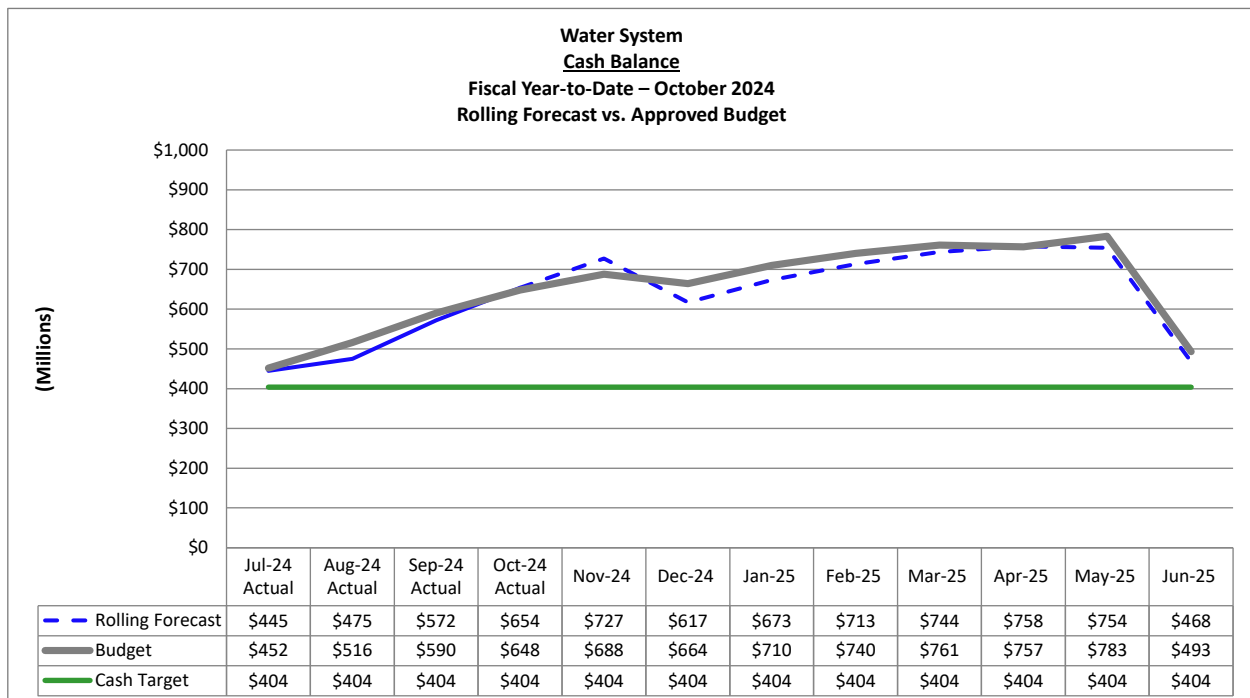
- FYTD actual pass-through capital expenditures are \$42M lower than budget, mainly due to underspending in Recycled Water \$22M, Water Infrastructure \$5M, L.A. Aqueduct \$4M, Owens Valley Regulatory \$4M, Water Quality \$4M, and Water Conservation \$3M.
- The year-end forecast is expected to be \$72M lower than budget, mainly due to underspending in Recycled Water \$56M, Water Infrastructure \$33M, L.A. Aqueduct \$5M, and Water Conservation \$4M, and offset by overspending in Water Quality \$26M.



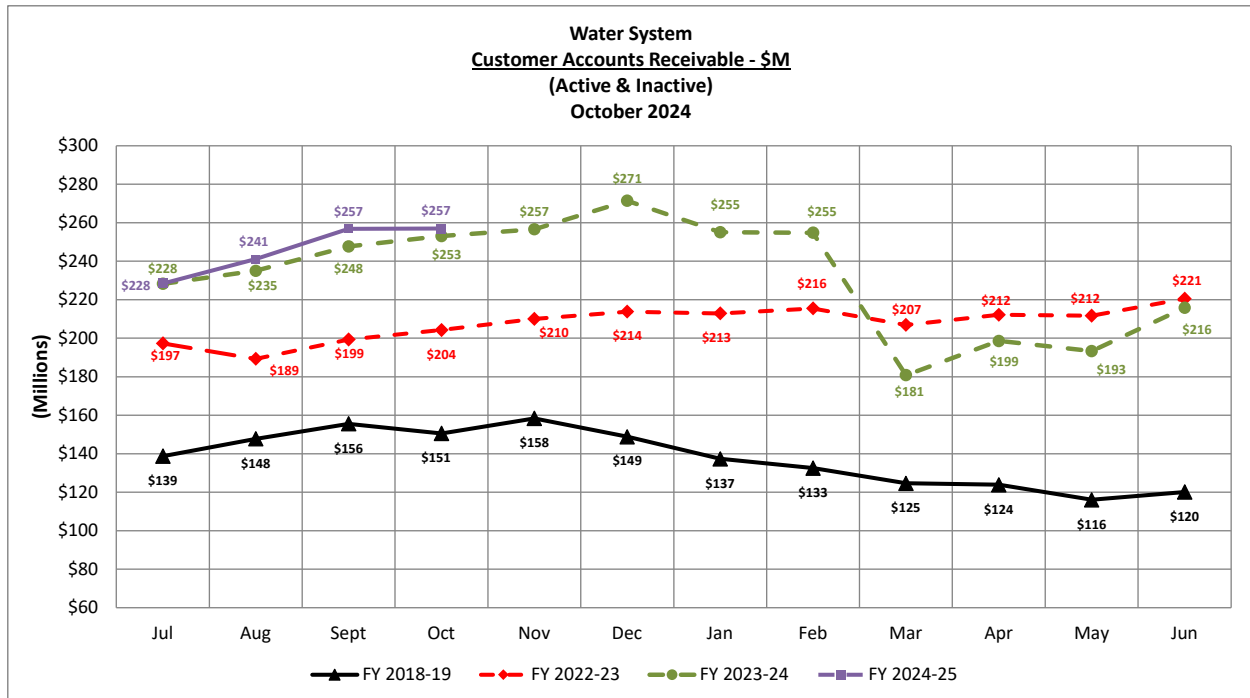
- FYTD actual non-pass-through capital expenditures are \$16M lower than budget, mainly due to underspending in Infrastructure Operating Support of \$19M and offset by overspending in Infrastructure Base of \$3M.
- The year-end forecast is expected to be \$12M lower than budget, mainly due to underspending in Infrastructure Operating Support of \$16M and offset by overspending in Infrastructure Base of \$4M.



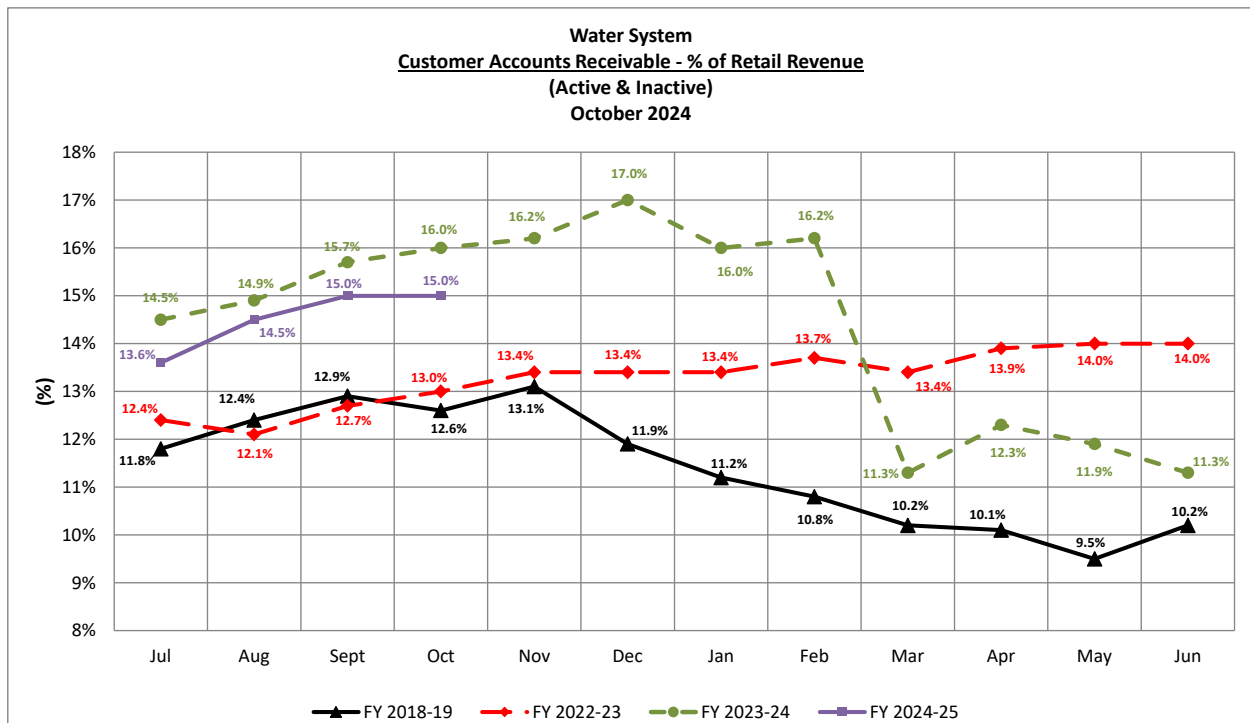
- FYTD actual retail revenue is \$12M higher than budget, mainly due to an increase of \$11M in billed revenue.
- The year-end forecast is expected to be inline with budget retail revenue.



- FYTD actual cash balance is \$6M higher than budget and \$250M higher than the cash target.
- The year-end forecast cash balance is expected to be \$25M lower than the budget and \$64M higher than the cash target.



- October 2024 Customer A/R balance is \$4M higher than October 2023 and \$53M higher than October 2022.



- Accounts receivable as a % of retail revenue in October 2024 is 1% lower than October 2023 and 2% higher than October 2022.

## Labor

**Los Angeles Department of Water and Power**  
**Monthly Financial Report**  
**Labor and Overtime Report by System**  
**FY 2024-2025 - Current Yr (Year To Date as of Oct 2024)**  
(CY Re-Estimate Working includes actuals through Oct)  
(\$ in Thousands)

Labor and Overtime Summary (Excludes Daily Exempts and UPCTs)		Year to Date as of Oct FY 2024-2025 - Current Yr						FY 2024-2025 - Current Yr Budget - Year-End Forecast					
		YTD Actuals		YTD Budget				ReEstimate		Budget			
		Final	OT %	Final	OT %	Overrun / (Underrun)	Variance (%)	Working	OT %	Final	OT %	Overrun / (Underrun)	Variance (%)
Power_System-	CE 10 LABOR REGULAR	\$235,046		\$250,094		(\$15,048)	(6.0%)	\$733,629		\$750,283		(\$16,654)	(2.2%)
	CE 11 LABOR OVERTIME	\$107,339	45.7%	\$72,650	29.0%	\$34,689	47.7%	\$254,648	34.7%	\$217,956	29.0%	\$36,692	16.8%
	System Total	\$342,385		\$322,744		\$19,641	6.1%	\$988,277		\$968,239		\$20,038	2.1%
Water_System-	CE 10 LABOR REGULAR	\$97,538		\$103,477		(\$5,939)	(5.7%)	\$308,312		\$310,431		(\$2,120)	(0.7%)
	CE 11 LABOR OVERTIME	\$24,464	25.1%	\$16,061	15.5%	\$8,403	52.3%	\$61,693	20.0%	\$48,195	15.5%	\$13,498	28.0%
	System Total	\$122,002		\$119,538		\$2,464	2.1%	\$370,005		\$358,626		\$11,379	3.2%
Joint_System-	CE 10 LABOR REGULAR	\$181,576		\$203,498		(\$21,922)	(10.8%)	\$588,531		\$610,493		(\$21,962)	(3.6%)
	CE 11 LABOR OVERTIME	\$36,352	20.0%	\$24,250	11.9%	\$12,103	49.9%	\$85,097	14.5%	\$72,751	11.9%	\$12,346	17.0%
	System Total	\$217,928		\$227,747		(\$9,819)	(4.3%)	\$673,628		\$683,244		(\$9,615)	(1.4%)
Overall Total	CE 10 LABOR REGULAR	\$514,160		\$557,069		(\$42,909)	(7.7%)	\$1,630,472		\$1,671,207		(\$40,735)	(2.4%)
	CE 11 LABOR OVERTIME	\$168,155	32.7%	\$112,961	20.3%	\$55,194	48.9%	\$401,439	24.6%	\$338,902	20.3%	\$62,537	18.5%
	Overall Total	\$682,315		\$670,030		\$12,285	1.8%	\$2,031,910		\$2,010,109		\$21,801	1.1%

Overall Total Excludes Daily Exempts: Org 50200, 62405, 76490, 77303 and 77402 and Retirement Office (FY APR of 93)

### Total LADWP Staffing

Organization	APR	Funded FTE	YTD Budget	YTD Actuals	Variance	Year-End Forecast	Approved	Variance
Power System	5,564	5,020	\$250,094	\$235,046	(\$15,048)	\$733,629	\$750,283	(\$16,654)
Water System	2,744	2,301	\$103,477	\$97,538	(\$5,939)	\$308,312	\$310,431	(\$2,120)
Chief Administrative Officer	1,799	1,573	\$58,426	\$52,861	(\$5,565)	\$169,711	\$175,279	(\$5,568)
CEO & Other Direct Reports	319	244	\$13,003	\$12,103	(\$900)	\$38,108	\$39,008	(\$900)
CEO: Information Technology Services	695	588	\$31,374	\$30,004	(\$1,371)	\$92,846	\$94,123	(\$1,277)
Chief Financial Officer	365	322	\$16,504	\$14,696	(\$1,808)	\$47,703	\$49,511	(\$1,808)
Chief Operating Officer	172	162	\$8,102	\$5,903	(\$2,199)	\$22,056	\$24,306	(\$2,250)
Chief People Officer	190	166	\$7,880	\$6,962	(\$919)	\$22,714	\$23,640	(\$926)
Customer Service, Communications and Corporate Strategy								
Corporate Strategy & Communications	83	80	\$3,932	\$3,774	(\$158)	\$11,639	\$11,796	(\$158)
Customer Service Division	1,206	1,013	\$36,905	\$32,335	(\$4,570)	\$106,145	\$110,715	(\$4,570)
Distributed Energy Solutions	167	156	\$8,434	\$7,321	(\$1,113)	\$24,115	\$25,301	(\$1,186)
Meter Service & Field Operations	571	457	\$16,419	\$14,071	(\$2,349)	\$46,909	\$49,258	(\$2,349)
Inspector General Office	35	11	\$629	\$146	(\$483)	\$1,405	\$1,888	(\$483)
Office of Diversity, Equity and Inclusion	33	30	\$1,889	\$1,401	(\$488)	\$5,180	\$5,668	(\$488)
<b>LADWP Total (Excluding Retirement Office)</b>	<b>13,943</b>	<b>12,123</b>	<b>\$557,069</b>	<b>\$514,160</b>	<b>(\$42,909)</b>	<b>\$1,630,472</b>	<b>\$1,671,207</b>	<b>(\$40,735)</b>

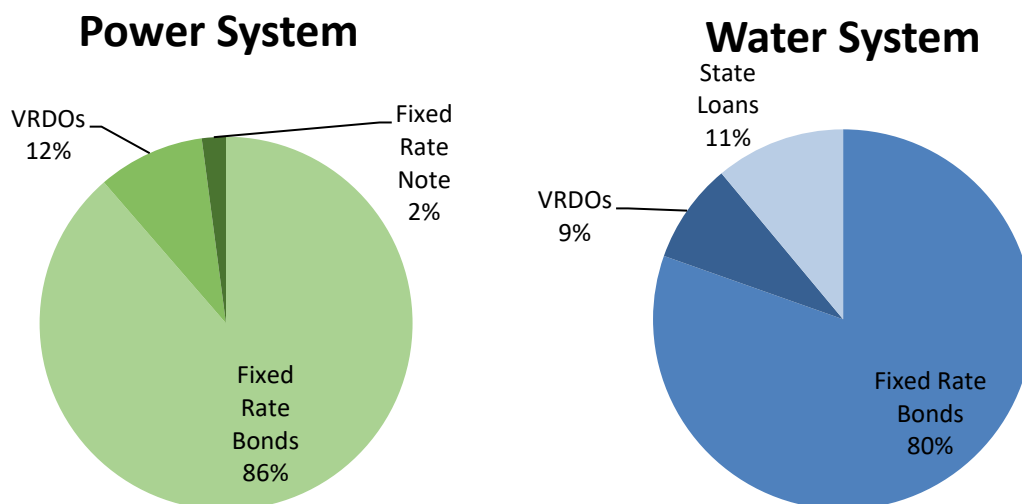
## **FINANCE AND RISK CONTROL DIVISION**

### **Debt Management**

The Power System has approximately \$11.43 billion in debt outstanding, with 88.3 percent consisting of fixed-rate debt (comprised of 86.3 percent revenue bonds and 2.0 percent short-term notes), and 11.7 percent consisting of variable-rate debt obligations.

The Water System has approximately \$6.66 billion in debt outstanding, with 91.2 percent consisting of fixed-rate debt (comprised of approximately 80.0 percent revenue bonds and 11.2 percent State Loans) and 8.8 percent consisting of variable-rate debt obligations.

The overall debt profiles of the Power and Water Systems are shown in the charts below.



The average interest cost of debt (on an accounting basis) for the month of October 2024 was 3.62 percent for the Power System and 3.40 percent for the Water System.

### **Investments**

LADWP manages the investments of certain Trust Fund Accounts. These funds are separate from funds held in the Power Revenue Fund and Water Revenue Fund, which are managed along with other City Departments' funds by the City Treasurer in a pooled investment program. Activities related to these Trust Fund Accounts include:

Trust Fund	Market Value October 31, 2024	Reinvestments	Interest Received	Month-End Yield
Debt Reduction Trust Fund	\$ 526,131,650	\$ 40,782,713	\$ 1,766,342	4.64%
Palo Verde Nuclear Decommissioning	161,779,961	-	270,240	2.97%
Water Expense Stabilization	58,083,003	6,057,600	225,131	4.89%
Natural Gas	13,969,812	-	57,551	4.74%
Treatment Storage and Disposal	2,598,926	-	7,854	5.17%
CAISO Markets Trust Fund	14,266,935	-	50,568	4.74%
<b>Total</b>	<b>\$ 776,830,287</b>	<b>\$ 46,840,313</b>	<b>\$ 2,377,686</b>	<b>4.32%</b>

### **Risk Control/Credit**

LADWP maintains a natural gas hedging program to mitigate volatility of gas prices and stabilize customer rates.

Below is the natural gas hedging status as of October 31, 2024.

Delivery Period	Percent of Total Budgeted Volume ( % )*
FY 2025-26	44%
FY 2026-27	31%
FY 2027-28	23%
FY 2028-29	17%
FY 2029-30	8%

*\*Based on the Board-approved Budget as of June 11, 2024*

### **INTERNAL AUDIT DIVISION**

#### **Audits Started in October 2024**

No audit was started in October 2024.

#### **Audits in Progress**

There were 12 audits in progress.



## Audits Completed in October 2024

### 1. Scheduling Coordinator Self-Audit of Energy Imbalance Market

In accordance with our audit plan, we have completed the Scheduling Coordinator self-audit of Energy Imbalance Market (EIM), as required by the California Independent System Operator (CAISO). The audit covered the period from September 1, 2022 to July 31, 2024.

The purpose of the EIM program is to balance fluctuations in supply and demand of electricity between participating utilities by automatically finding lower cost electricity resources to meet real-time power needs. To further this goal, EIM would allow utility participants to buy and sell power close to the time electricity was to be consumed and give them real-time visibility as to electricity output across neighboring grids.

As an EIM participant, LADWP must meet the standards established under the CAISO Tariff. Under the Tariff, CAISO only accepts settlement-quality meter data (SQMD) from metering facilities certified either by CAISO or the Local Regulatory Authority (LRA). To ensure compliance, LADWP issued the BES Meter Policy to establish standards for LADWP's Balance Authority Area for revenue meters and meter system equipment. The BES Meter Policy also established minimum revenue quality meter system requirements and standards for testing of revenue meter system equipment.

In addition, as required by the CAISO Tariff and the LADWP Bulk Electric System Meter Policy (BES Meter Policy), LADWP must conduct a self-audit at least once every two years to determine whether LADWP maintained compliance with all applicable requirements of the LRA, SQMD, and other metering standards. The Scheduling Coordinator Self-Audit Attestation must be completed by LADWP, affirmed by the Scheduling Coordinator, and submitted to CAISO by October 31<sup>st</sup> of every even year.

The purposes of the audit were to verify whether physical meters and associated meter devices were tested properly, accurately, and within the two-year testing window; whether SQMD data obtained through qualifying revenue meters and metering facilities complied with standards, policies and procedures established by the LADWP BES Meter Policy; and whether the electrical engineering design drawings (single-line diagrams) were submitted and accepted by CAISO. Additionally, the audit aimed to verify whether meter data was validated and met integrity standards of SQMD using the Validation, Estimation, and Editing (VEE) process.

Based on the audit, we found that the VEE process was followed appropriately to validate meter data, and the meter data met the integrity standards of SQMD. We observed that single-line diagrams were being properly submitted to CAISO.

However, we observed the following issues in the meter testing process, which are subject to reporting to CAISO in accordance with the CAISO Tariff:

1. Meter calibration reports for seven sampled registered CAISO resources were not available to verify whether the physical meters and/or associated meter devices were tested within the two-year testing window. This resulted in noncompliance with the BES Meter Policy.
2. Five CAISO resources' physical meters and/or associated meter devices were tested outside the two-year window. Although these devices subsequently passed testing requirements, noncompliance with the BES Meter Policy was found.
3. Three meter calibration reports contained manual data entry errors, and as a result we were not able to verify whether the meters met testing requirements during the calibration phase. Although these meters subsequently passed testing, noncompliance with the BES Meter Policy was found.
4. Two CAISO resources' SQMD plans were not modified to reflect the updated meter models and were not reported to CAISO as SQMD Plan Modifications. This resulted in noncompliance with the CAISO Tariff.

In addition to the reportable issues to CAISO, the audit identified two non-reportable issues that are important for management to take action to:

- 1) Reconcile the list of meters maintained by the Energy Reconciliation group and System Protection & Control group to help monitoring and ensuring testing of meters complied with CAISO Tariff requirements.
  - 2) Clarify the requirements for the self-affirmation and self-audit of the "Testing and Audit Cycle" section of the LADWP's BES Meter Policy and include references to the CAISO Tariff and Business Practice Manual.
2. Audit of the Water Resource Division Trust Funds: Bishop, Northern, and Southern Districts

As requested by the Board of Water and Power Commissioners Audit Committee and in accordance with our audit plan, we completed the audit of the Water Operations Division Trust Funds (Trust Funds) for the Bishop District (BD) located in the Bishop Office, the Northern District (ND) located in the Stores facility at Independence, and the Southern District (SD) located in the Stores facility at Mojave. The audit covered the period from July 1, 2022 through December 31, 2023.

The Trust Funds at the LADWP are revolving cash accounts established in banks to pay for authorized purchases of certain services and products and are reimbursed by the LADWP Power and Water Revenue Funds. The trust funds were originally

established under Board Resolution 395 dated December 1, 1966, to conduct business more efficiently. The use of the trust funds is governed by guidelines prepared and approved by the Accounting and Financial Reporting Division of LADWP.

The Trust Funds were established to provide funds to pay for miscellaneous items required in the performance and maintenance of the Los Angeles Aqueduct. The expenditures are generally incurred when payments are not feasible through Account Payable section, when it is cost effective, when it is more economical to purchase miscellaneous materials directly, or when such purchases will improve customer service. Revolving funds approved for the Trust Funds were \$20,000 for each district. For several years, the BD and ND Trust Funds held a petty cash box of \$250, and \$700, respectively. However, in November 2022, the two districts decided to close their petty cash boxes.

The purposes of our audit are to verify whether payments were appropriate, reasonable, and properly supported; to determine whether payments were in accordance with the Trust Funds Guidelines and to review whether the internal controls over the Trust Funds and reimbursements were adequate and being followed.

Based on the audit, we concluded the Trust Funds payments were generally appropriate, reasonable, and had supporting documentation, however they were not always in accordance with the Trust Funds Guidelines. Additionally, internal controls were adequate, but not were not consistently followed. The safeguarding of the checks was adequately performed, and segregation of duties among the four basic activities was implemented and followed.

We noted the following issues:

1. Eighteen checks issued from the ND and SD, totaling \$21,034, did not adhere to the allowable purchases listed in the Guidelines.
2. Two checks from the SD Trust Fund exceeded the \$5,000 check limit for a total overage of \$3,073.
3. Three checks were issued from the SD Trust Fund for a total of \$2,431 to a vendor, bypassing the existing contract for those expenditures and violating the Guidelines.
4. Internal control issues were identified in the areas of administration and petty cash.

### 3. Audit of Cheryong Electric Co. Contract No. 214

In accordance with our audit plan, we completed the audit of the billings of Cheryong Electric Co. (Cheryong), under Contract No. 214 (Contract). The audit covered the period from September 26, 2021 through June 30, 2024.

The purpose of the Contract was to furnish and deliver 4.8-kV, three-phase, Dead-Front, padmount transformers, which are used to step-down the voltage from 4.8-kV to the customer voltage requirement. The new transformers provided by Cheryong would be used to replace failed transformers, to upgrade existing transformers and provide electrical service to new customers.

The purposes of our audit were to: verify whether billings were proper, reasonable, and in compliance with the terms and conditions of the Contract; verify that quarterly price adjustments were calculated correctly as indicated in the contract and the correct quarterly price was used for the billings; determine whether other contract requirements were being complied with as appropriate, including equipment inspections and performance of factory testing; and determine whether internal controls over the contract administration were in place and functioning adequately.

Based on the audit, we concluded that the billings of Cheryong were generally proper, reasonable, and in compliance with the terms and conditions of the Contract; quarterly price adjustments were calculated accurately by the Contract Administrator and billings reflected accurate prices; and the Contract delivered critical equipment to end-users, with deliverables inspected and accepted by LADWP personnel. Additionally, controls over inventory and contract administration were in place and adequate.

However, we noted the following areas for improvement:

1. Internal control weaknesses relating to inventory testing and issuance were found, including inventory misplacement, lack of supporting documentation, delayed placement of units, and inconsistent application of first-in, first-out inventory management method.
2. Twelve out of 19 sampled invoices were non-compliant with attestation signature requirement.

### 4. Audit of LADWP Sponsorship Payments

As requested by the Board of Water and Power Commissioners Audit Committee and in accordance with our audit plan, we have completed the audit of LADWP sponsorship payments. The audit covered the period from July 1, 2022 through December 31, 2023.

The purposes of the audit were to verify whether sponsorship payments were in accordance with LADWP policies and procedures; whether payments were

appropriate, reasonable, and properly supported; and whether internal controls were adequate and being followed.

Based on the audit, we concluded that sponsorship expenditures were generally proper, reasonable, and in accordance with LADWP sponsorship policies and procedures. However, we determined that internal controls over the sponsorship review and approval process can be improved. More specifically, we noted the following areas for improvement:

1. The sponsorship policy has not been updated since it was established in 2002.
2. Sponsorship Approval Request Forms (SARFs) were not in compliance with other applicable City and LADWP policies and guidelines relating to event venue, food, and beverages.
3. Internal control weaknesses related to SARFs were identified.
4. Sponsorship events took place before the written approval was obtained for the SARF, resulting in noncompliance with the sponsorship policy.
5. SARFs that were considered repeating (had been approved in prior years) did not have a budget line item.