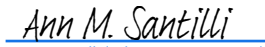





RESOLUTION NO. _____

BOARD LETTER APPROVAL


Ann M. Santilli (Feb 19, 2025 15:43 PST)

ANN M. SANTILLI
Chief Financial Officer


David Hanson (Feb 24, 2025 07:18 PST)

DAVID W. HANSON
Senior Assistant General Manager
Power System



JANISSE QUIÑONES
Chief Executive Officer and Chief Engineer

DATE: February 10, 2025

SUBJECT: Transmittal of Preliminary Fiscal Year 2025-2026 LADWP Budget to the Los Angeles City Council – Power Revenue Fund Receipts and Appropriations Budget and Associated Schedules, Disclosure Associated with Amendment of Rule No. 15, Part 15-E, Section I.1, for Underground Line Extensions in Public Property

SUMMARY

Submitted to the Board of Water and Power Commissioners (Board) for consideration is a Resolution authorizing LADWP to transmit the preliminary Fiscal Year (FY) 2025-2026 LADWP Power Revenue Fund Receipts and Appropriations budget and associated schedules to the Los Angeles City Council (Council), as required by City Charter Section 684. Estimated appropriations for FY 2025-2026 total \$7.79 billion or \$6.84 billion, net of receipts from the Water System, contributions in aid of construction, individuals, and companies and other miscellaneous sources.

Additionally, approval of this Resolution provides the required disclosure for Resolution No. 024-028 that requires identification of the audited total direct and indirect costs borne by the Department under Rule No. 15, Part 15-E, Section I.1, in the prior fiscal year ended the previous June 30, as well as separate identification of those direct and indirect costs incurred for projects designated by the Mayor's Office.

City Council approval is not required.

RECOMMENDATION

It is recommended that the Board adopt the attached Resolution authorizing the transmittal of the preliminary FY 2025-2026 LADWP Power Revenue Fund Receipts and Appropriations budget and associated schedules to the Council with the understanding that the LADWP will submit to the Board changes from this preliminary budget through the final budget by May 31, 2025. Said Resolution contains the required disclosure associated with the 2023 Amendment of Rule No. 15, Part 15-E, Section I.1, for Underground Line Extensions in Public Property.

FINANCIAL INFORMATION

The Power Revenue Fund Preliminary Budget incorporates expenditures for the Power System, including the share of expenditures associated with the Joint System and Water Revenue Fund that support Power System functions. Estimated appropriations for FY 2025-2026 total \$7.79 billion. Net of receipts from the Water System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations are \$6.84 billion.

Disclosure associated with Amendment of Rule No. 15, Part 15-E, Section I.1, for Underground Line Extensions in Public Property, includes Fiscal Year 2023-24 total direct and indirect audited costs borne by the Department amounting to \$7.23 million. For the Fair Share Powerline Program aspect, the Fiscal Year 2023-24 total direct and indirect audited costs borne by the Department are \$976,673. For the projects designated by the Mayor's Office as 100 percent affordable or supportive housing projects, the Fiscal Year 2023-24 total direct and indirect audited costs borne by the Department were \$6.25 million. These are actual costs for 127 completed Project Powerhouse projects.

BACKGROUND

Transmittal of the FY 2025-2026 Preliminary Budget

Development of the FY 2025-2026 Preliminary Budget is subject to further analysis and refinement culminating in the submission of the final budget in May 2025. The FY 2025-2026 preliminary budget reflects pass-through rates that would continue to adjust for, in part, variable and uncontrollable costs such as fuel and purchased power costs, as well as dedicated investment in infrastructure reliability.

The LADWP continues to emphasize cost control and fiscal discipline across all programs and performance metrics reporting contributing to greater cost efficiency and accountability. The FY 2025-2026 funding priorities reflect continued investment to comply with mandates, upgrade aging infrastructure to maintain reliability, and provide customers with opportunities to reduce or control their energy bills.

Some of the proposed budget highlights are as follows:

Power System Reliability Program: Total \$1,916.9M (Capital \$1,192.4M and O&M \$724.5M)

The budget provides funding for replacement of aging Power System infrastructure necessary to maintain system reliability and improve replacement cycles.

Infrastructure: Total \$918.0M (Capital \$464.6M and O&M \$453.4M)

Funding is for the evaluation and prioritization for maintenance and replacement of major power infrastructure, additions and betterments for generation facilities, distribution system reliability, as well as new business for system growth and expansion.

Operating Support: Total \$1,103.1M (Capital \$422.1M and O&M \$681.0M)

Funding is for Power's share of the technology and system upgrades, cyber security investment, customer, meter, and billing services, in addition to insurance and legal services.

Renewable Portfolio Standard: Total \$541.9M (Capital \$417.6M and O&M \$124.3M)

Invest to develop greener power resources and transition from coal to cleaner, sustainable energy supplies.

Energy Efficiency Program: Total \$179.7M (Capital \$159.2M and O&M \$20.5M)

The budget provides funding for energy efficiency programs which enable customers to have greater control over their bills.

Disclosure Associated with Amendment of Rule No. 15, Part 15-E, Section I.1, for Underground Line Extensions in Public Property per Resolution No. 024-028

On August 15, 2023, the Board adopted Amendment of Rule No. 15, Part 15-E, Section I.1, of the Rules Governing Water and Electric Service for Underground Line Extensions. First, the Amendment will require customers to pay their share of the cost for an underground line extension in public property required to provide the customer's electric service. This aspect is known as the Fair Share Powerline Program. Second, the Amendment will allow LADWP to bear the cost of underground line extensions in public property for projects designated by the Mayor's Office as 100 percent affordable or supportive housing projects, during the existence of a local emergency due to homelessness declared by the Mayor.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060(c)(1). In accordance with this section, an activity is not subject to CEQA if it does not involve the exercise of discretionary powers by a public agency. Transmitting budget information to Los Angeles City Council is not an action subject to CEQA.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution as to form and legality.

ATTACHMENTS

- Resolution
- Cover Letter to the City Administrative Officer
- LADWP's Strategic Plan
- Preliminary Power Revenue Fund Receipts and Appropriations
- Power Revenue Fund Capital Improvement Program
- Power Revenue Fund Salaries and Authorized Number of Positions (based on Annual Personnel Resolution)
- Preliminary Retirement, Disability, and Death Benefit Insurance Plan
- Federal and State Grant Funding Estimates