

[PUBLIC, REDACTED VERSION]

April 14, 2017

David Wright
General Manager
Los Angeles Department of Water and Power
111 North Hope Street
Los Angeles, California 90012-2607

RE: BWP's and GWP's Comments on LADWP's
2017 Reform of Electric Transmission Tariff
and Electric Transmission Rates

Dear Mr. Wright:

As was reflected in our presentations in the Los Angeles Department of Water and Power ("LADWP") Stakeholder process for its 2017 Reform of Electric Transmission Tariff and Electric Transmission Rates ("Tariff Update"), Burbank Water and Power ("BWP") and Glendale Water and Power ("GWP") (collectively "the Cities") have serious concerns about: (1) the Tariff Update process; (2) certain terms and conditions within Tariff itself; and (3) the proposed rates resulting from the Tariff Update. Therefore, in compliance with the "Revised Schedule Updated March 7, 2017" for the LADWP Tariff Stakeholder process and §10.(b) of LADWP's Business Practice on "Procedures for Public Participation in Tariff Changes for the Department of Water and Power of the City of Los Angeles," we attach to this letter the Cities' brief, supporting testimony and documents.

The Cities brief, supporting testimony and documents are being submitted in two versions: (1) a public, redacted version, and (2) a non-public, unredacted version. With this letter is the public, redacted version.

Process Concerns

While the Cities acknowledge that the Stakeholder process was better than that done in 2014, they remain concerned that the process still has a significant way to go before it is similar to industry practice and what is expected at the Federal Energy Regulatory Commission (“FERC”). Besides being only provided approximately 60 working days to review and comment on the materials, the process also failed to provide the Cities the information necessary to fully understand and analyze LADWP’s various proposals. On multiple occasions, when we tried to get clear answers on certain contracts or operations, our requests were denied. Numerous other requests that attempted to get documentary support from LADWP regarding a variety of other aspects of the Tariff Update were similarly rebuffed. Of particular concern was LADWP’s systematic use of its consultants to shield it from providing information requested by the Cities that was critical to understanding if LADWP’s actions were justified. *See e.g.*, DWP-100 at pp. 8-9. LADWP promised on multiple occasions that its process was “open and transparent” and that it would respond to all of our information requests. However, the record is clear that LADWP did not deliver on these promises. The Cities believe that LADWP must provide adequate time and adequate answers to Stakeholders if it wants them to accept its Tariff Updates. Without this, the process falls short of industry practice. If this were a FERC proceeding, LADWP’s process and lack of support would not be accepted.

OATT Concerns

LADWP’s proposal claims to follow the principles established in Order Nos. 888, 890 and other FERC principles associated with transmission service. However, the Tariff Update fails to do so in some very major ways. Probably the most profound is its failure to adequately prevent undue discrimination.

LADWP has stated that it avoids discrimination by treating the “LADWP Wholesale Energy Resource Management (“WERM”) group” the same way that it treats other entities. However, LADWP has not provided support for this claim. Instead, the evidence uncovered by the Cities strongly suggests that WERM does not pay for the same ancillary services as other Tariff customers. This clearly provides WERM a competitive advantage over the Cities’ generators when they use LADWP Tariff service to make sales. LADWP could avoid this discrimination by applying the same rates, terms and conditions for transmission to others that it applies to WERM and the generators that it uses to make sales.

Further, the Cities have found the Tariff Update overstates the purchase obligation for Ancillary Services and includes Real Power Loss Factors that are both outdated and inaccurate. LADWP has also failed to fully explain and adequately justify how it calculates Available Transmission Capacity (“ATC”). These issues, along with several others demonstrate that the Tariff Update requires a significant overhaul before it can be implemented.

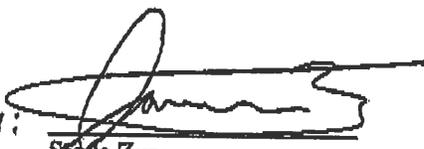
OATT Rate Concerns

The Cities uncovered numerous problems with the Tariff Update's Cost-of-Service Study ("COSS") and the associated proposed Tariff rates. For example, LADWP proposes to use a 12 coincident peak ("CP") divisor to calculate its rates, despite it being a summer peaking utility. Under longstanding FERC precedent and industry standards, it is inappropriate for LADWP to use a 12 CP divisor. Instead, LADWP should be using a properly calculated 1 CP. The Return on Equity and the associated capital structure used in the COSS are equally flawed in their disregard for FERC precedent and industry standards. The proposed Tariff rates also improperly account for Native Load, inappropriately include the costs of transmission facilities that are not integrated into the LADWP system, and incorrectly charge Tariff customers, in the Tariff's ancillary services rates, for facilities that cannot and do not provide ancillary services. The proposed Tariff rates have numerous other errors as well, which are detailed in the brief and testimony. Together, these defects in the COSS and rate calculations cause LADWP's proposed Tariff rates to be dramatically overstated in direct contravention of the principle of cost causation.

The Cities hereby request that LADWP either suspend the process until the issues they have raised are resolved, or adopt each of proposals presented in the Cities' Brief and testimony that resolve these issues.

Regards,

by: 
Jorge Somoano
General Manager
Burbank Water and Power

by: 
Steve Zurn
General Manager
Glendale Water and Power

Enclosures.