

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-12

June 25, 1996

To: Board of Directors (Legal and Claims Committee--Action)  
 (Organization and Personnel Committee--Action)

From: *gc* General Counsel

*Kenneth L. Yachetti*

Subject: Authorization to Amend Agreement No. 6255 with the Law Firm of Duncan,  
 Weinberg, Miller & Pembroke to Increase the Maximum Amount Payable.

#### RECOMMENDATION(S)

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It is recommended that the General Counsel be authorized to amend Agreement No. 6255 with the law firm of Duncan, Weinberg, Miller & Pembroke to increase the maximum amount payable under the Agreement to \$300,000.

#### EXECUTIVE SUMMARY

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The General Counsel is proposing that Agreement No. 6255 with the law firm of Duncan, Weinberg, Miller & Pembroke be amended by increasing the maximum amount payable under the Agreement to \$300,000 in order to provide funding for additional legal services related to the electric utility industry restructuring.

APPROVED AS REVISED BY LETTER DATED 7-8-96  
 By the Board of Directors of  
 the Metropolitan Water District  
 of Southern California  
 at its meeting held

JUL 9 1996

*Dawn Chan*  
 EXECUTIVE SECRETARY

## **DETAILED REPORT**

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The law firm of Duncan, Weinberg, Miller & Pembroke was originally retained in September, 1995, following interviews with other qualified law firms, to assist with legislative efforts to authorize sale of federal power marketing administration assets, including the Boulder Canyon Project power plant, and the Parker power plant to existing customers such as Metropolitan. Duncan Weinberg assisted in drafting the Desert Southwest legislative proposal, and provided other valuable assistance, including legal research, on related issues. This agreement originally provided a maximum amount payable of \$70,000.

On December 20, 1995, the California Public Utilities Commission issued its Policy Decision for restructure of the electric utility industry. Your Board has been briefed by staff on a regular basis regarding the restructure of the electric utility industry. Many aspects of the Policy Decision require review and approval by the Federal Energy Regulatory Commission, as this body has original jurisdiction over all wholesale energy sales, and all transmission in interstate commerce.

In light of the CPUC's Policy Decision and FERC's recent efforts to increase competition within the electric utility industry, Metropolitan requires expert legal assistance in the area of FERC practice, particularly with an emphasis in representation of public power entities such as Metropolitan. In May, 1996, interviews were conducted with law firms having such expertise. Duncan Weinberg was again selected to provide assistance to Metropolitan in this substantive area, because the members of the law firm worked well with Metropolitan staff on prior PMA matters, the quality of their legal work is high, and their fees are competitive. Duncan Weinberg's agreement was then amended to expand the scope of services to include the electric utility industry restructure and to increase the amount payable to \$99,000. Together with staff and Metropolitan's power resources consultant, Duncan Weinberg recently prepared the first of many filings at FERC regarding the joint proposals by Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company for establishment of an independent transmission system operator and a power exchange and other documents as discussed in this month's legal department report.

Metropolitan anticipates there will be an arduous battle at FERC and the CPUC in the coming months over the shaping of the restructured electric utility industry, which will necessarily require the continued expertise of Duncan Weinberg. Metropolitan's efforts to protect its vital power interests will be compromised if it is without such assistance. Accordingly, the General Counsel recommends that the Duncan Weinberg agreement be amended to increase the maximum amount payable to \$300,000.