

Increase in Funding for Legal Counsel for Federal Energy Regulatory Commission Litigation

Legal and Claims Committee

Item #7-5

October 11, 2011

MWD Participation in FERC Litigation

- MWD intervenes in FERC proceedings when the financial stakes are high
- MWD partners with the State Water Contractors and other governmental entities to share costs
- MWD works closely with DWR, but, in order to protect our interests, we often raise issues that DWR does not

Transmission Rate Cases

- MWD's primary focus at FERC is on Investor-Owned Utility (IOU) rate cases
- PG&E and SCE rate cases:
 - IOUs need to build transmission to obtain renewable energy and replace aging infrastructure
 - In the past few years, PG&E and SCE have proposed Transmission Revenue Requirement (TRR) increases of over 20% per year

FERC Counsel

- Duncan, Weinberg, Genzer & Pembroke, P.C. (DWGP) has represented MWD in FERC proceedings since 1995
- In consultation with the Legal Department, DWGP files protests, negotiates settlements, and, if necessary, litigates on MWD's behalf
- DWGP's representation of other California entities allows MWD to save money through cost-sharing arrangements

What is the impact of MWD's involvement?

- In 2010, PG&E filed an annual TRR of \$1,013,900,000
- Due to the arguments of MWD and other intervenors, FERC suspended the rates for 5 months, resulting in a cost savings of roughly \$2.8 million to the SWP

What is the impact of MWD's involvement? (cont.)

- MWD and other intervenors were also successful in negotiating a reduction of PG&E's TRR to \$922 million, which was approved by FERC in August
- This reduction will result in annual savings to the SWP of approximately \$1.8 million
- Similar results have been obtained with respect to SCE's annual TRR filings

Value of DWGP Representation

- DWGP has obtained favorable results at very reasonable rates
- The additional funding of \$100,000 will be the first increase in the DWGP contract since March of 2009
- The Legal Department intends to further lower the costs of FERC representation by shifting representation to the SWC for issues where we share a common interest

Board Options

- Option #1

Adopt the CEQA determination and authorize amendment of agreement with DWGP to an amount not to exceed \$3.025 million

- Option #2

Do not approve authorization of amendment

Recommendation

- Option #1



QUESTIONS?