**GUEST OF THE MONTH/November 2024**

**Dave Hanson, Senior Assistant General Manager – Power**

**Jason Rondou, Power System Chief of Staff**

**UPDATE ON POWER SYSTEM ISSUES**

**By Robert Yoshimura**



Dave Hanson and Jason Rondou led a round-table discussion of current topics of interest in the Power System and answered numerous questions from the Board members.

Dave began with his perspectives on the recently hired new CEO Janisse Quinones. The news announcing a nation-wide search for a new CEO was met with some trepidation by current managers because outsiders from the private sector haven’t always fit in well at LADWP because of its political oversight, hiring and purchasing processes, and a unique culture. However, Janisse has made an immediate and positive impression on Dave and other members of the management team. Dave described her as a “breath of fresh air” because her leadership skills, knowledge, and her focus on challenging existing processes, insisting on transparency, and gaining back customer trust, is precisely what is needed at this time. LADWP does not have a good reputation for transparency and Janisse is targeting a significant improvement in that area.

Dave briefly explained the changes in organizational structure made by Janisse. She has created two Chief of Staff positions within her office –one for each system. Evelyn Cortez-Davis is the Chief of Staff for the Water System. Jason Rondou is the Chief of Staff for the Power System. Dave is the organizational head of the Power System and will coordinate closely with Jason on all issues related to Power. Jason has an engineering background that complements Dave’s Maintenance and Construction experience. Both report directly to Janisse. A study of the Power System’s business model by the consulting firm Korn Ferry is currently ongoing and will recommend further changes to the organizational structure. Thus, the existing position of Chief Operating Officer will remain vacant pending the outcome of that study.

Regarding lack of transparency and customer trust, Board members raised concerns about the current power bill structure that consists mostly of costs that are passed through – such as the cost of fuel, purchased power, etc. Such pass-throughs can result in significant cost increases for the customer on a month-to-month basis. Many customers perceive that LADWP is imposing de facto rate increases without approval by the City Council. No explanation for those pass-throughs is provided on the bill, and furthermore, one Board member’s multiple attempts to get such an explanation have been ignored. Because the water charges on the same bill include an explanation of pass-throughs, it seems illogical not to do the same for power costs. Dave offered to contact the Customer Service Division and arrange for a representative to speak directly to this Board regarding this peculiar strategy, and what, if anything, they are planning to do about it. The W&PA Board members agree that the bill needs to be restructured to resolve this problem.

Since the completion of the LA 100 study regarding the transition of the power grid to 100% renewable energy, this Board has heard numerous discussions about what improvements are needed to the distribution network to accommodate the transition. A voltage conversion from 4.8 KV to 12 kV seemed to be the early direction favored by the Power System. Dave clarified that there will be no such voltage conversion. Instead, a second distribution system operating at 12 kV will be added and the 4.8 kV system will be retained. The current system is overloaded as is, and the significant additional load from Electric Vehicles (EVs) and building electrification must be accommodated, so a second system superimposed upon the first appears to be the most efficient solution. Construction will begin in two years on new 12 kV distribution systems in both the city and valley to pilot the distinct types of 12 kV systems and automation strategies. Subsequently, additional distribution stations and systems will be constructed as needed to alleviate the overload conditions and accommodate future growth in customer demand.

The anticipated proliferation of EVs in the coming years will be a significant driver of power demand growth and will present a particular challenge during heat storms in the summer. One Board member reported that as many as 1.6 million EVs will ultimately be in use in Los Angeles. The proposed distribution system upgrades will expand capacity as needed to accommodate that growth. Additionally, the upcoming Olympic Games venues and public transportation to and from them will be carbon free and will thus require 1,300 to 1,500 electric buses to accommodate the expected visitors and participants. How to charge those buses will be another challenge for the power system to resolve.

The issue of the cost of the above distribution improvements remains unclear, because this Board had previously heard from management that distribution costs were not included in the current cost estimate for the project. Jason Rondou thought they were and will check with appropriate staff and provide an answer. He also reported that staff working on an update to the original LA 100 study have broken-down costs in more detail and that distribution upgrades should be a part of their work. Public workshops regarding the LA 100 update are being planned, and a complete cost break-down will be part of the presentation to be made.

As more renewable energy sources are added, existing generation sources will be shut down. As a result, the rotating inertia provided by turbine generators will be lost, and a solution to that problem will have to be developed. The Power System has recently experienced voltage insufficiencies which has never been a problem in the past before solar power became a significant part of the energy portfolio.

The Department is aware of a growing problem with net metering, which now costs them between $200 million and $250 million per year in lost revenue and because it is forced to pay customers with rooftop solar units for excess energy they produce at a retail price. Those costs are recovered from customers who do not have rooftop solar via rate increases, which results in subsidization of customers who do have rooftop solar. Jason Rondou indicated that a major restructuring of net metering is needed with as little harm as possible to existing beneficiaries of net metering.

Hiring staff for the expanded distribution system will be another significant challenge. Linemen are a particular focus because LADWP has been losing them to other utilities once they are trained. A new union contract has been signed that provides for better salaries and has resulted in some of those linemen returning to the Department. The implementation of an expedited hiring process for linemen and the end of Covid-era vaccine mandates should further improve the outlook in this area.

In response to a question from a Board member regarding LADWP’s plans to make needed upgrades to the Information Technology systems, Dave responded that Janisse has a strong IT background and has already incorporated modern technologies such as Microsoft Team and is considering others as well. The Chief Information Officer’s position is currently vacant, and Janisse is working to fill that position soon.